APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 2006

(Argued: August 29, 2006 Decided: January 5, 2007)

Docket Nos. 06-0403-cv, 06-0405-cv, 06-0406-cv

EM LTD.,

Plaintiff-Appellant,

v.

REPUBLIC OF ARGENTINA,

Defendant-Appellee.

NML CAPITAL, LTD.,

Plaintiff-Appellant,

v.

THE REPUBLIC OF ARGENTINA,

Defendant-Appellee.

NML CAPITAL, LTD.,

Plaintiff-Appellant,

v.

THE REPUBLIC OF ARGENTINA,

Defendant-Appellee,

BANCO CENTRAL DE LA REPUBLICA ARGENTINA,

Interested-Non-Party-Appellee.

Before: WINTER, CABRANES, and POOLER, Circuit Judges.

Plaintiffs appeal from an order of the United States District Court for the Southern District of New York (Thomas P. Griesa, *Judge*) vacating restraining notices and orders of attachment imposed with respect to an account of the Banco Central de la República Argentina at the Federal Reserve Bank of New York on the ground that those assets were protected from attachment by the Foreign Sovereign Immunities Act of 1976.

Affirmed.

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JOSÉ A. CABRANES, *Circuit Judge*:

This appeal arises from the efforts of plaintiffs-appellants NML Capital, Ltd. ("NML") and EM Ltd. ("EM") (collectively, "plaintiffs") to attach certain funds held in an account of the Banco Central de la República Argentina ("BCRA"), the central banking authority of the Republic of Argentina ("Argentina" or "the Republic"), at the Federal Reserve Bank of New York ("FRBNY") (the "FRBNY Account").[1] EM holds, and NML seeks, a judgment against the Republic arising out of the Republic's default on debt obligations held by EM and NML. Even though plaintiffs do not hold or seek judgments against BCRA, they contend that they are entitled to attach $105 million of BCRA's funds held in the FRBNY Account (the "FRBNY Funds"). In particular, plaintiffs argue that the Republic obtained an attachable interest in the FRBNY Funds after the President of the Republic issued two decrees that gave the Republic the authority to use BCRA funds for repayment of the Republic's debts to the International Monetary Fund ("IMF"),

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[1] Plaintiffs also sought to attach accounts held by BCRA in other New York banks, but the FRBNY Account was the only one in which there were any substantial assets. Our conclusions in this opinion concerning the FRBNY Account also apply to all other accounts that were attached by plaintiffs.

but that did not specifically designate the FRBNY Funds for use in repaying the IMF. The United States District Court for the Southern District of New York (Thomas P. Griesa, *Judge*) vacated orders of prejudgment attachment obtained by NML, and postjudgment restraining notices obtained by EM, that had previously been ordered with respect to the FRBNY Funds. This appeal followed.

We consider here whether the Republic's actions associated with the repayment of its debt to the IMF deprived the FRBNY Funds of immunity from attachment under provisions of the Foreign Sovereign Immunities Act of 1976 ("FSIA") related to the attachment of sovereign assets, 28 U.S.C. §§ 1609-11. We affirm the order of the District Court, concluding that the FRBNY Funds are immune from attachment under the FSIA because, notwithstanding the issuance of the decrees, the FRBNY Funds continue to be owned by BCRA, a separate juridical entity from the Republic, and are not available to satisfy a judgment against the Republic. Moreover, we conclude that the provisions of the FSIA allowing attachment of a foreign state's "property in the United States . . . used for a commercial activity in the United States," 28 U.S.C. § 1610(a); *see also id.* § 1610(d) (allowing prejudgment attachment of a foreign state's property "used for a commercial activity in the United States"), would not permit attachment of the FRBNY Funds even if the funds were considered an attachable asset of the Republic. A government's repayment of its debt to the IMF is not a "commercial activity," and the record is barren of any evidence that the FRBNY Funds were to be "used for" repayment of the IMF.

BACKGROUND

I. Facts and Procedural History

In December 2001, in the midst of a financial crisis in Argentina, the Republic announced a moratorium on its debt service payments. Since that time, the Republic has not made

scheduled payments on the debt instruments at issue in this litigation.[2]

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[2] We note that Argentina has made many contributions to the law of foreign insolvency through its numerous defaults on its sovereign obligations, as well as through what we might term a diplomacy of default.

Argentina's history of defaulting on, or requiring restructuring of, its sovereign obligations has produced a rich literature. After selling bonds on the London stock exchange in the early part of the 1820s, Argentina defaulted on its debt in 1827 (at roughly the same time that other Latin American nations defaulted on their foreign debt), and did not reach a settlement with creditors on the debt until 1857. See Carlos Marichal, *A Century of Debt Crises in Latin America* 14, 34-35, 55-60, 59 t.2 (1989). Argentina again defaulted on its debts in 1890, causing a financial panic in England as Argentina's primary creditor, the London merchant bank Baring Brothers, experienced a liquidity crisis upon Argentina's default. *See id.* at 149-59. In 1956, Argentina's threatened default led to the creation of the Club of Paris, an international organization established "for the purpose of settling controversies concerning debts that were guaranteed or owed by LDC [Less Developed Country] governments to creditor governments." Mashaalah Rahnama-Moghadam, David A. Dilts, & Hedayeh Samavati, *The Clubs of London & Paris*, Disp. Resol. J., Nov. 1998, at 71, 72; *see also* Paris Club, *Description of the Paris Club*, http://www.clubdeparis.org/en /presentation/presentation.php?BATCH=B01WP01 (last visited Nov. 29, 2006) (describing first meeting of Paris Club in 1956 among Argentina and creditor nations). In 1982, Argentina, along with other Latin American nations, experienced a financial crisis that led it to suspend interest payments on foreign debt and to engage in difficult negotiations with foreign and multilateral lenders. *See* Ernest J. Oliveri, *Latin American Debt and the Politics of International Finance* 163-203 (1992); *see also Republic of Argentina v. Weltover*, 504 U.S. 607, 609-10 (1992) (discussing Argentina's failure to meet foreign exchange insurance obligations in 1982 and foreign debt obligations in 1986). According to one commentator, as the Argentinian debt crisis developed between 1983 and 1985, "Argentina emerged as the single most resistant debtor in international finance." Oliveri, *ante*, at 164. Then, in December 2001, Argentina announced that it would impose a moratorium on public sector debt payments—causing the largest default of a foreign state in history. *See, e.g.*, Arturo C. Porzecanski, *From Rogue Creditors to Rogue Debtors: Implications of Argentina's Default*, 6 Chi. J. Int'l L. 311, 317 (2005) (describing Argentina's most recent default as "by far the largest and potentially most complex default the world has ever

known"); *see also Eternity Global Master Fund Ltd. v. Morgan Guar. Trust Co. of N.Y.*, 375 F.3d 168. 175 (2d Cir. 2004) (discussing events leading up to 2001 "debt moratorium").

In light of this history, it is perhaps unsurprising that Argentina's scholars and diplom ats have contributed to development of innovative theories of international law in response to the world community's efforts to collect on defaulted sovereign obligations. The nineteenth century Argentine jurist Carlos Calvo propounded a theory (later called the "Calvo Doctrine") that "absolutely condemn[ed] diplomatic as well as armed intervention as legitimate methods of enforcing any or all private claims of a purely pecuniary nature, at least such as are based upon contract or are the result of civil war, insurrection, or mob violence." Amos S. Hershey, *The Calvo and Drago Doctrines*, 1 Am. J. Int'l L. 26, 26-27 (1907); *see also Banco Nacional de Cuba v. Chase Manhattan Bank*, 658 F.2d 875, 888 n.19 (2d Cir. 1981) ("[T]he Calvo doctrine, based on the writings of the nineteenth century Argentine jurist Carlos Calvo, holds that a state need compensate aliens only to the extent that it would compensate its own nationals. If under a state's laws its nationals are entitled to no compensation for expropriated property, an alien likewise would have no right to compensation." (citing G. Hackworth, *Digest of Int'l Law* § 530 (1943))). The Calvo Doctrine stands in contrast to principles of customary international law establishing an international standard for claim s of injury to aliens derived from Emmeric de Vattel's assertion that an injury to an alien living in a foreign State constitutes an injury to the alien's state of nationality. *See* E. de Vattel, *The Law of Nations or the Principles of Natural Law* 136 (C. Fenwick trans., Legal Classics Library special ed. 1993) (1758) ("Whoever ill-treats a citizen indirectly injures the State, which must protect that citizen."). From Vattel's famous doctrine flows the "international minimum standard," which, in contrast to the Calvo Doctrine, "takes into account the possibility that the standards prevailing in a given State may be so low that, even if nationals and aliens are treated (or oppressed) alike, the norms of international law [concerning the protection of aliens] will have been violated." Richard B. Lillich, *The Human Rights of Aliens in Contemporary International Law* 17 (1984); *see also* Frank Griffith Dawson & Ivan L. Head, *International Law N ational Tribunals and the Rights of Aliens* 10 (1971) (describing the "International Minimum Standard of Justice" as "the standard of substantive and procedural treatment which aliens purportedly should receive in 'civilized' States and which they thus should receive abroad under international law"). Under this principle, aliens may be entitled under customary international law to compensation for expropriation of property rights (*e.g.*, through the state's default on its debt obligations) even where nationals of the expropriating state are not. *See* Louis B. Sohn & R.R. Baxter, *Responsibility of States for Injuries to the Economic Interests of Aliens*, 55

On April 10, 2003, EM, a holder of defaulted Argentine debt, filed an action against the Republic in the United States District Court for the Southern District of New York to recover more than $700 million in interest and principal owed on an Argentine bond it had acquired. EM moved for summary judgment, and the Court granted the motion on September 12, 2003, awarding final judgment to EM in the amount of $724,801,662.56. *See EM Ltd. v. Republic of Argentina*, No. 03 Civ. 2507 (TPG), 2003 WL 22120745 (S.D.N.Y. Sept. 12, 2003), *amended by EM Ltd. v. Republic of Argentina*, No. 03 Civ. 2507 (TPG), 2003 WL 22454934 (S.D.N.Y. Oct. 27, 2003).[3] We affirmed the judgment in favor of EM on August 31, 2004. *See EM Ltd. v. Republic of Argentina*, 382 F.3d 291, 292-94 (2d Cir. 2004).

NML, another holder of defaulted Argentine debt, filed suit in the United States District Court for the Southern District of New York on November 7, 2003, seeking to recover funds due on approximately $170 million in defaulted bonds that the Republic had issued. NML filed a second action on February 28, 2005, seeking payment on approximately $32 million in so-called "Argentine Floating Rate Accrual Notes." No judgment

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Am. J. Int'l L. 545, 557 (1961) ("[T]he provision of com pensation to aliens whose property is taken is consistent with that special protection which is given to aliens, even in cases where such protection may place aliens in a privileged position vis-à-vis the nationals of the State concerned.").

In 1902, Argentina's Minister of Foreign Affairs, Luis M. Drago, developed a narrower proposition (later called the "Drago Doctrine") that "the public debt [of an American state] can not occasion armed intervention, nor even the actual occupation of the territory of Am erican nations by a European power." Hershey, *ante*, at 30 (quoting Letter from Luis M. Drago, Argentine Minister of Foreign Affairs, to Sr. Merou, Argentine Minister at Washington (Dec. 29, 1902)); *see also, e.g.*, Dawson & Head, *ante*, at 12-13 (discussing subsequent history of Drago Doctrine).

[3] As of December 30, 2005, almost $21 million in postjudgment interest had accrued, bringing the total value of the judgment as of that date to $745,544,496.12.

had been rendered in either of NML's suits at the time NML sought to attach the FRBNY Funds.

In the terms and conditions governing EM's bond, the Republic "irrevocably agreed not to claim and has irrevocably waived . . . immunity to the fullest extent permitted by the laws of [the] jurisdiction." Terms and Conditions Governing Bond Issued June 22, 2001, Joint Appendix ("J.A.") 54. The Republic also "consent[ed] generally for the purposes of the Foreign Sovereign Immunities Act to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment, provided that attachment prior to judgment or attachment in aid of execution shall not be ordered by the Republic's courts with respect to . . . the assets which constitute freely available reserves." *Id.* The bonds that NML acquired contained similar waivers.

On December 15, 2005, Argentina's President, Néstor Kirchner, issued two emergency executive decrees: Decree 1599/2005 and Decree 1601/2005 (the "Decrees"). Decree 1599 provided that BCRA reserves in excess of the amount needed for the backing of the Republic's "monetary base," *see* Law No. 23,928 of 3/27/91 art. 6, *as amended by* Law No. 25,561 of 1/7/02 art. 4, J.A. 447 (defining "monetary base" as "composed of the monetary circulation [of Argentine pesos] plus the demand deposits of the financial entities with [BCRA], in checking accounts or special accounts"), "may be used for payment of obligations undertaken with international monetary authorities." Decree 1599/2005 art. 1, J.A. 22. These excess reserves were dubbed "unrestricted reserves" by the decree ("Unrestricted Reserves").[4] Decree 1601/2005 directed the Ministry of Economy and Production (the "Ministry") to take

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[4] "Unrestricted Reserves" under the Decrees are to be distinguished from the "freely available reserves" referenced in the terms and conditions of the bonds. While the term "freely available reserves" referred to reserves held in support of the monetary base, the term "Unrestricted Reserves" as used in the Decrees refers to reserves *not necessary* for support of the monetary base.

the necessary steps to repay the Republic's debt to the IMF out of the Unrestricted Reserves. At the time of the Decrees, BCRA had approximately $26.8 billion in reserves and needed $18.4 billion to cover the monetary base; thus, approximately $8.4 billion in reserves became Unrestricted Reserves pursuant to the Decrees. On December 29, 2005, the Ministry issued Resolution No. 49, directing BCRA to repay the Republic's debt to the IMF and providing that, in exchange, the Republic would give BCRA a non-transferrable note. *See* Resolution No. 49 art. 1, J.A. 511 ("Let [BCRA] be instructed in line with [the Decrees] . . . to repay the debt incurred with the [IMF].").

On December 30, 2005, EM moved in the District Court for an *ex parte* order in aid of enforcing its judgment, and Judge Barbara S. Jones, sitting in Part I, *see* Rules for the Division of Business Among District Judges of the Southern District of New York 5(b) (motions for "emergency matters in civil cases" presented to the district judge sitting in "Part I"), entered restraining notices, *see* 28 U.S.C. § 1610(c) (requiring that a court order the attachment of, or execution against, the assets of a foreign state or its instrumentalities); *see also* Fed. R. Civ. P. 69(a) ("The procedure on execution . . . shall be in accordance with the practice and procedure of the state in which the district court is held . . . except that any statute of the United States governs to the extent it is applicable"); N.Y. C.P.L.R. § 5222 (establishing procedure for service of restraining notices on parties holding property of judgment debtor), with respect to property of the Republic and the BCRA held at eight garnishee banking institutions, including the FRBNY. NML contemporaneously sought and obtained from Judge Jones *ex parte* orders of prejudgment attachment and temporary restraining orders concerning the same assets, *see* Fed. R. Civ. P. 64 (providing that remedies involving "seizure of . . . property for the purpose of securing satisfaction of [a] judgment . . . are available under the circumstances and in the manner provided by the law of the state in which the district court is held"); N.Y. C.P.L.R. § 6201 (setting forth grounds for prejudgment attachment under New York law).

On January 3, 2006, the Republic's debt to the IMF was repaid by BCRA using BCRA's assets. The FRBNY Funds were not used in connection with that payment, although the parties dispute whether the funds might have been used for this purpose in the absence of the court-ordered restraints on the transfer of the funds.

On January 6, 2006, the Republic and BCRA moved by order to show cause to vacate the attachments and restraining notices (collectively, the "Restraining Notices"). Following a conference held that day before Judge Griesa, to whom EM's and NML's suits against the Republic had been assigned, the parties agreed to modify the Restraining Notices pending resolution of the order to show cause, and on January 9, 2006, the District Court entered a stipulation and consent order that amended the Restraining Notices so that BCRA could conduct its day-to-day operations. Pursuant to these amended attachments and restraining notices (collectively, the "Amended Restraining Notices"), the garnishee institutions were required to maintain in any covered account a sum not less than 95% of the amount on deposit at the close of business on January 6, 2006. Of the putative garnishee institutions, only the FRBNY held any significant amount—namely, $105 million—that was subject to the Amended Restraining Notices. EM and NML cross-moved on January 10, 2006 to confirm the Amended Restraining Notices, and, in the alternative, EM sought discovery on five issues relating to the validity of the Amended Restraining Notices.[5]

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[5] EM claim s to have sought discovery on the following issues:

(1) the effect of the Decrees under Argentine law; (2) the purposes of the funds subject to the Amended Restraining Notices; (3) how and from where Argentina paid the International Monetary Fund ("IMF") on January 3, 2006; (4) how the Central Bank's actions in implementing the Decrees compare to the "traditional" central banking activities of central banks; and (5) what Argentina plans to do with the foreign exchange reserves subject to the Decrees that will accumulate in the future.

II. The District Court's Decision

Following submissions by the parties and oral argument, the District Court vacated the Amended Restraining Notices by oral decision on January 12, 2006. The District Court described four separate grounds for its decision. First, operating under the premise that assets owned by BCRA could not be used to satisfy judgments against the Republic, it rejected plaintiffs' argument that the Decrees had the effect of transferring ownership of the Unrestricted Reserves in general, or the FRBNY Funds in particular, from BCRA to the Republic. Plaintiffs had conceded at oral argument on the parties' cross-motions that the Unrestricted Reserves were the property of BCRA, not the Republic, before the issuance of the Decrees. The District Court concluded that the Decrees had no effect on the ownership of the Unrestricted Reserves, and certainly no effect on the ownership of the FRBNY Funds; thus, the Unrestricted Reserves and the FRBNY Funds remained the property of BCRA. The District Court agreed that the Decrees reflected the Republic's power to direct BCRA to take certain actions with respect to BCRA's assets, but, according to the District Court, the Republic's ability to exercise some control over BCRA did not mean that the ownership of the FRBNY Funds changed hands from BCRA to the Republic.

Second, the District Court held that even if it were to treat the FRBNY Funds as if they were owned by the Republic, plaintiffs would not be entitled to attach it under the FSIA

Br. of Appellant EM 7. EM has not, however, cited to any part of the record demonstrating that these specific requests were made to the District Court. When disputing EM 's contention that it was improperly denied discovery, the Republic refers to discovery requests made in EM's Memorandum in Support of Plaintiffs' Motion to Confirm, which was apparently filed with the District Court, but which was not included among the materials in the Joint Appendix submitted to this Court. Accordingly, no documents presented to this Court indicate that the requests listed above were made to the District Court. Nevertheless, we assume *arguendo* that, as represented by EM, these requests were made.

unless they were able to demonstrate that the funds had become property of the Republic "used for a commercial activity in the United States," 28 U.S.C. § 1610(a)(1) (permitting postjudgment attachment of a foreign state's property "used for a commercial activity in the United States" if the foreign state had waived immunity from attachment); *id.* § 1610(d)(1) (same as to prejudgment attachment).[6] The District Court concluded

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[6] 28 U.S.C. § 1610 provides, in pertinent part, as follows:

(a) The property in the United States of a foreign state . . . , used for a commercial activity in the United States, shall not be immune from attachment in aid of execution, or from execution, upon a judgment entered by a court of the United States or of a State . . . if—

(1) the foreign state has waived its immunity from attachment in aid of execution or from execution either explicitly or by implication, notwithstanding any withdrawal of the waiver the foreign state may purport to effect except in accordance with the terms of the waiver . . . .

. . . .

(b) In addition to subsection (a), any property in the United States of an agency or instrumentality of a foreign state engaged in commercial activity in the United States shall not be immune from attachment in aid of execution, or from execution, upon a judgment entered by a court of the United States or of a State after the effective date of this Act, if—

(1) the agency or instrumentality has waived its immunity from attachment in aid of execution or from execution either explicitly or implicitly, notwithstanding any withdrawal of the waiver the agency or instrumentality may purport to effect except in accordance with the terms of the waiver . . . .

. . . .

(d) The property of a foreign state . . . , used for a commercial activity in the United States, shall not be immune from attachment prior to the entry of judgment in any action brought in a court of the United States or of a State, or prior to the elapse of the period of time provided in subsection (c) of this section, if—

(1) the foreign state has explicitly waived its immunity from attachment prior to judgment, notwithstanding any withdrawal of the waiver the foreign state may purport to effect except in accordance with the terms of the waiver, and

that plaintiffs did not satisfy this requirement here because the Republic's payments to the IMF, which were facilitated by the Decrees, constituted a "government financial activity and not a commercial activity."

Third, the District Court concluded that another provision of the FSIA, 28 U.S.C. § 1611(b)(1), provided a separate and independent basis for vacating the attachments and restraining orders. That statutory provision protects from attachment property "of a foreign central bank . . . held for its own account," unless the protection has been explicitly waived by the central bank or the bank's parent foreign government.[7] In the view of the District Court, the FRBNY Account "was, is, and continues to be the property of the central bank used for central banking functions," and therefore, "the prohibition of Section 1611 on attaching those funds must apply."

Fourth, the District Court rejected plaintiffs' arguments that there had been an explicit waiver of *BCRA's* immunity of the type that would be necessary to expose BCRA's assets to attachment under 28 U.S.C. § 1611(b)(1). The District Court also implicitly denied EM's discovery request by vacating the Amended Restraining Notices without authorizing further discovery.

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(2) the purpose of the attachment is to secure satisfaction of a judgment that has been or may ultimately be entered against the foreign state, and not to obtain jurisdiction.

[7] 28 U .S.C. § 1611(b)(1) provides, in pertinent part:

Notwithstanding the provisions of section 1610 of this chapter, the property of a foreign state shall be immune from attachment and from execution, if—

(1) the property is that of a foreign central bank or monetary authority held for its own account, unless such bank or authority, or its parent foreign government, has explicitly waived its immunity from attachment in aid of execution, or from execution, notwithstanding any withdrawal of the waiver which the bank, authority or government may purport to effect except in accordance with the terms of the waiver . . . .

On January 24, 2006, the District Court entered a written order formally vacating the Amended Restraining Notices, staying the order pending appeal, and certifying the order for appeal pursuant to 28 U.S.C. § 1292(b).[8]

We expedited the appeal. The United States and the FRBNY have appeared before us as *amici* in support of the Republic and BCRA.

DISCUSSION

I. Appellate Jurisdiction

We have jurisdiction pursuant to 28 U.S.C. § 1292(b). The appeal was certified by the District Court, and we agree that the District Court's ruling involves unresolved controlling questions of law, and that an appeal would advance the termination of the litigation.[9]

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[8] 28 U.S.C. § 1292(b) provides, in pertinent part:

When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order . . . .

[9] Consequently, we formally grant plaintiffs' motion to hear the appeal pursuant to 28 U.S.C. § 1292(b). Having accepted jurisdiction under § 1292(b), we need not consider whether jurisdiction would also be proper under 28 U.S.C. § 1292(a)(1), which grants appellate courts jurisdiction over orders "refusing or dissolving injunctions," or under the collateral order doctrine. *See Karaha Bodas Co., L .L.C. v. Perusahaan Pertambangan Minyak Dan Gas Bumi Negara*, 313 F.3d 70, 81 & n.11 (2d Cir. 2002) (considering appeal of orders related to attachment of assets of Indonesian national government and instrumentality under § 1292(b) without determining whether jurisdiction would also be proper under collateral order doctrine).

II. Standard of Review

We review a district court's ruling on a request for an order of attachment for abuse of discretion. *See Capital Ventures Int'l v. Republic of Argentina*, 443 F.3d 214, 222 (2d Cir. 2006) (addressing prejudgment attachment). We will find such an abuse of discretion if the district court "applies legal standards incorrectly or relies upon clearly erroneous findings of fact, or proceed[s] on the basis of an erroneous view of the applicable law." *Id.* (quoting *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 398 (2d Cir. 2004)); *see also Zervos v. Verizon N.Y., Inc.*, 252 F.3d 163, 169 (2d Cir. 2001) ("error of law" constitutes "abuse of discretion").

In this case, we consider the legal conclusions that underlay the District Court's exercise of discretion to vacate the attachments—namely, that the Republic had no attachable interest in the FRBNY Funds, and that the funds were otherwise immune from attachment under the FSIA. Thus, the dispositive issues here are ones of law, which we review *de novo*. *See Heerwagen v. Clear Channel Commc'ns*, 435 F.3d 219, 225 (2d Cir. 2006) (noting that this Court "will find an abuse of discretion whenever the district court commits an error of law, which we review *de novo*").

III. Analysis

We agree with the decision of the District Court. We conclude that the Decrees did not create an attachable interest on the part of the Republic in the FRBNY Funds, and that Section 1610's provisions allowing attachment of property of a foreign state "used for a commercial activity" would not permit attachment of the FRBNY Funds even if they were attachable assets of the Republic.

A. General Principles

The FSIA protects foreign states' property from attachment and execution, subject to existing international obligations, except under the conditions set forth in two other provisions of

the FSIA, 28 U.S.C. §§ 1610 and 1611. *See* 28 U.S.C. § 1609 ("Subject to existing international agreements to which the United States is a party at the time of enactment of this Act the property in the United States of a foreign state shall be immune from attachment arrest and execution except as provided in sections 1610 and 1611 of this chapter."); *Letelier v. Republic of Chile*, 748 F.2d 790, 793 (2d Cir. 1984) ("[U]nder [FSIA] § 1609 foreign states are immune from execution upon judgments obtained against them, unless an exception set forth in §§ 1610 or 1611 of the FSIA applies.").

The FSIA's protections against attachment and execution extend to the instrumentalities of a foreign state such as BCRA, although the protections applicable to assets of instrumentalities vary from those applicable to the assets of the foreign states themselves. *See Karaha Bodas*, 313 F.3d at 82 ("Section 1610 provides different regimes for sovereign states on the one hand, and their agencies and instrumentalities on the other."); *see also S & S Machinery Co. v. Masinexportimport*, 706 F.2d 411, 414 (2d Cir. 1983) ("State-owned central banks indisputably are included in the [FSIA's] definition of 'agency or instrumentality.'"). Under subsections 1610(a) and (d), assets of a foreign state can be attached only *if the assets sought to be attached* are "used for a commercial activity in the United States." But under subsection 1610(b), which concerns agencies and instrumentalities of foreign states, creditors may attach "*any property in the United States* of an agency or instrumentality of a foreign state engaged in commercial activity in the United States," 28 U.S.C. § 1610(b) (emphasis added). As we explained in *Karaha Bodas*, "[s]ubsection (a) is generally thought to be narrower than subsection (b). While subsection (b) applies to *all* property of the agencies and instrumentalities of foreign states, subsection (a) applies only to the property of foreign states that is 'used in commercial activity.'" *Karaha Bodas*, 313 F.3d at 82 (quoting *Conn. Bank of Commerce v. Republic of Congo*, 309 F.3d 240, 253 (5th Cir. 2002)).

The FSIA provides additional protection to assets of foreign central banks. *See* 28 U.S.C. § 1611(b)(1), note 7, *ante*. Congress developed 28 U.S.C. § 1611(b)(1) to shield from attachment the U.S. assets of foreign central banks, many of which might be engaged in commercial activity in the United States while managing reserves and engaging in financial transactions, and to provide an incentive for foreign central banks to maintain their reserves in the United States:

> Section 1611(b)(1) provides for the immunity of central bank funds from attachment or execution. It applies to funds of a foreign central bank or monetary authority which are deposited in the United States and "held" for the bank's or authority's "own account"—i.e., funds used or held in connection with central banking activities, as distinguished from funds used solely to finance the commercial transactions of other entities or of foreign states. If execution could be levied on such funds without an explicit waiver, deposit of foreign funds in the United States might be discouraged. Moreover, execution against the reserves of foreign states could cause significant foreign relations problems.

H.R. Rep. No. 94-1487 ("FSIA House Report") at 31, *as reprinted in* 1976 U.S.C.C.A.N. 6604, 6630; *see also* Paul L. Lee, *Central Banks and Sovereign Immunity*, 41 Colum. J. Transnat'l L. 327, 376 (2003) (noting that Section 1611(b)(1) appears to have been developed in order to avoid the "potential difficulties" that central banks would be faced with if their assets were subject to attachment under the provisions of Section 1610(b) applicable to other instrumentalities).

Plaintiffs' reliance on the attachment provisions applicable to foreign states—§ 1610(a) and its prejudgment counterpart, § 1610(d)—rather than on the attachment provisions applicable to foreign agencies and instrumentalities set forth in § 1610(b), makes clear that their arguments are premised on a threshold determination that the FRBNY Funds are an attachable interest of *the Republic*, not of BCRA.

B. The Decrees Did Not Convert the FRBNY Funds Into an Attachable Interest of the Republic

Although plaintiffs hold or seek judgments against the Republic, the FRBNY Funds that plaintiffs seek to attach are held in BCRA's name. Plaintiffs have conceded that: (1) before December 15, 2005, the date on which the Decrees were issued, the FRBNY Funds were the property of BCRA; (2) plaintiffs had no right to attach the FRBNY Funds before that date; and (3) even after issuance of the Decrees, the FRBNY Funds were held in BCRA's name. Thus, under New York law, it is presumed that the FRBNY Funds continue to be owned by BCRA even after issuance of the Decrees.[10] *See Karaha Bodas*, 313 F.3d at 86 ("Under New York law, the party who possesses property is presumed to be the party who owns it. When a party holds funds in a bank account, possession is established, and the presumption of ownership follows." (citing *Pollock v. Rapid Indus. Plastics Co.*, 497 N.Y.S.2d 45, 49 (2d Dep't 1985); *Kolodziejczyk v. Wing*, 689 N.Y.S.2d 825, 825 (4th Dep't 1999); and *Perkins v. Guar. Trust Co. of N.Y.*, 274 N.Y. 250, 261 (1937))).

Plaintiffs do not bring to our attention any contrary New York or Argentine legal principles governing ownership of funds in bank accounts, *see Karaha Bodas*, 313 F.3d at 85-86 (analyzing New York and Indonesian legal principles governing rights of Indonesian government and Indonesian instrumentality to funds held in New York bank accounts), nor do they point to any order or other document explicitly transferring ownership

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[10] Under the FSIA and the Federal Rules of Civil Procedure, New York law governs the circumstances and manner of attachment and execution proceedings. *See Karaha Bodas*, 313 F.3d at 83 ("The FSIA states that when a foreign state is not protected by sovereign immunity, 'the foreign state shall be liable in the same manner and to the same extent as a private individual under like circumstances.' 28 U.S.C. § 1606. In attachment actions involving foreign states, federal courts thus apply Fed. R. Civ. P. 69(a), which requires the application of local state procedures."); *Capital Ventures Int'l v. Republic of Argentina*, 443 F.3d 214, 218-19 (2d Cir. 2006).

of the FRBNY Funds from BCRA to the Republic. Instead, plaintiffs contend that the Decrees changed the legal status of $8.4 billion of BCRA's reserves—*i.e.*, the funds that the Decrees designated as Unrestricted Reserves—when it made those funds available to pay the Republic's debt to the IMF. NML contends that the Decrees had the effect of making the Unrestricted Reserves property of the Republic. *See* Br. of Appellant NML 32-33. EM argues that it is immaterial whether the "nominal" holding and ownership of the Unrestricted Reserves changed, because under New York attachment law the Unrestricted Reserves are attachable if the Republic has a right to assign or transfer them. *See* Br. of Appellant EM 27-29 (citing N.Y. C.P.L.R. § 5201(b) ("A money judgment may be enforced against any property which could be assigned or transferred, whether it consists of a present or future right or interest and whether or not it is vested . . . .")). According to EM, the Unrestricted Reserves must be subject to attachment because the Decrees demonstrated the Republic's power to assign or transfer BCRA's assets. *See id.* at 27-28 ("Indeed, the fact that it was even *possible* for President Kirchner, with the stroke of a pen, to appropriate (or borrow) the Unrestricted Reserves to pay Argentina's debts and then direct when and how the payment should be made proves beyond question that the Argentine state controls not only the Unrestricted Reserves, but *all* of the Central Bank's assets.").

Plaintiffs also argue that the Decrees transformed all reserves of BCRA, including the FRBNY Funds, into attachable assets of the Republic because the Decrees did not specify *which* of BCRA's funds would be designated as Unrestricted Reserves and used to repay the IMF. *See* Br. of Appellant EM 31 ("The consequence of Argentina's deliberate decision to preserve all of its options with respect to paying its creditors out of its foreign exchange reserves, wherever located, is that all of the funds garnished by the Restraining Notices [including the FRBNY Funds] were Unrestricted Reserves."); Br. of Appellant NML 36 (arguing that the Decrees subjected to attachment "any portion of the reserves held by the Central Bank anywhere in the

world . . . unless and until the attachments became so large that they exceeded the Unrestricted Reserves").[11] According to plaintiffs, the FRBNY Funds must be treated as attachable Unrestricted Reserves because the Decrees failed to *exclude* the FRBNY Funds from being so designated. *See* Br. of Appellant EM 31-32 ("It makes no difference whether Argentina actually intended to pay the IMF from those funds, since the Decrees do not differentiate on that basis. To conclude otherwise would be to allow Argentina to utilize a problem of its own creation to evade its creditors.").

It is important to distinguish arguments which assert that the Decrees transferred to the Republic ownership or control over *the assets* of BCRA, *see, e.g.*, *Karaha Bodas*, 313 F.3d at 90-92 (analyzing foreign state's ownership rights in assets possessed by instrumentality), from arguments that turn on the Republic's control over *BCRA itself*. The legal principles governing when a foreign state's control over its instrumentality permits attachment of the instrumentality's assets to satisfy a judgment against the state are well-established, *see post*, but were not addressed by plaintiffs in their submissions to the District Court or to this Court.

We conclude that (1) the Decrees did not alter property rights with respect to the FRBNY Funds—the assets that are the subject of the present appeal—but merely reflect the Republic's ability to exert control over BCRA itself, and (2) plaintiffs have not availed themselves of any arguments that would allow

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[11] The scope of plaintiffs' claimed authority to attach assets held by BCRA would be vast. Even though only $8.4 billion in reserves were reclassified as Unrestricted Reserves pursuant to the Decrees, under plaintiffs' theory, *all* $26.8 billion in the various BCRA accounts around the world would be subject to attachment (until the attached funds reach $8.4 billion) because all that money would be *potentially* designated as Unrestricted Reserves—*i.e.*, because it is unclear *which* $18.4 billion would be classified as that necessary to back the monetary base and *which* $8.4 billion ($26 .8 billion minus $18.4 billion) would be classified as "Unrestricted Reserves."

attachment of the FRBNY Funds based on the Republic's control over BCRA.

1. Control Over the FRBNY Funds

Plaintiffs' arguments concerning ownership of, and control over, the FRBNY Funds are not supported by the Decrees. The record is barren of any evidence that ownership or control over the FRBNY Funds was transferred to the Republic upon issuance of the Decrees, or that the Decrees required BCRA to use the FRBNY Funds, as opposed to other reserves, to repay the IMF. Rather than transferring funds to the Republic from BCRA, the Decrees and Resolution No. 49 directed BCRA to make reserves available to repay the IMF, and then to repay the IMF using those funds, leaving the decision of which specific funds would be used to BCRA's discretion. *See, e.g.*, Reply Br. of Appellant NML 13-14 n.9 (acknowledging that "the Decrees fail to specify particular assets as Unrestricted Reserves").

While the Decrees may have manifested the Republic's ability and willingness to control BCRA, and to direct BCRA to use its assets for the benefit of the Republic, they did not cause control of BCRA's assets to change from BCRA to the Republic. To conclude otherwise would be to allow creditors of a foreign state to attach all of the assets of the state's central bank any time the foreign state issues directives affecting the central bank's reserves.[12] Corporate law principles, which apply

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[12] As the FRBNY points out, plaintiffs' theory could expose to attachment the assets of a majority of the world's central banks because national governments customarily retain the ability to direct their central banks to take actions with respect to the central banks' foreign exchange reserves. *See, e.g.*, M.H. de Kock, *Central Banking* 34-37, 312-18 (4th ed. 1974). Under plaintiffs' theory, for example, all of the assets of the United States Federal Reserve system would be treated as attachable interests of the United States (absent otherwise-applicable sovereign immunity protections) because the United States has exercised the power to direct the Federal Reserve Banks to transfer their "surplus funds" to the U.S. Treasury for use by the federal government. *See, e.g.*, 12 U.S.C. § 289(b)(1) ("The Federal reserve banks shall transfer from the surplus funds of such banks to the Board

by analogy to the relationship between the Republic and its instrumentality BCRA, *see, e.g.*, *First Nat'l City Bank v. Banco Para El Comercio Exterior de Cuba*, 462 U.S. 611, 628-33 (1983) ("*Bancec*") (applying corporate law principles to determine circumstances under which separate juridical status of government instrumentality must be disregarded), support this conclusion. *See Dole Food Co. v. Patrickson*, 538 U.S. 468, 475-76 (2003) (holding that the FSIA did not affect underlying corporate law principles, and stating that "[a] corporate parent which owns the shares of a subsidiary does not, for that reason alone, own or have legal title to the assets of the subsidiary . . . . The fact that the shareholder is a foreign state does not change the analysis." (citations omitted)); *United States v. Wallach*, 935 F.2d 445, 462 (2d Cir. 1991) ("[S]hareholders do not hold legal title to any of the corporation's assets. Instead, the corporation—the entity itself—is vested with the title." (citations omitted)); *see also* 1 William Meade Fletcher, Cyclopedia of the Law of Corporations § 31 at 78, 84 (rev. ed. 2006) ("Shareholders, even the controlling shareholder, cannot transfer or assign the corporation's properties and rights, nor apply corporate funds to personal debts or objects . . . ." (footnotes omitted)).[13]

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of Governors of the Federal Reserve System for transfer to the Secretary of the Treasury for deposit in the general fund of the Treasury, a total amount of $3,752,000,000 in fiscal year 2000.").

[13] New York attachment law does not help plaintiffs. We noted in *Karaha Bodas* that the scope of attachment authorized by N.Y. C.P.L.R. § 5201 was limited by the scope of the judgment debtor's own interest in the attached property: "In New York, then, a party seeking to enforce a judgment 'stand[s] in the shoes of the judgment debtor in relation to any debt owed him or a property interest he may own.' Nonetheless, a party cannot 'reach . . . assets in which the judgment debtor has no interest.'" *Karaha Bodas*, 313 F.3d at 83 (quoting *Bass v. Bass*, 528 N.Y.S.2d 558, 561 (1st Dep't 1988)). Here, because plaintiffs have not demonstrated that the Republic obtained any attachable interest in the FRBNY Funds as a result of the Decrees, plaintiffs have no right to attach the funds.

2. Control over BCRA

To the extent that plaintiffs' claim on the FRBNY Funds is based on the Republic's control over BCRA, as demonstrated by the Decrees, *see, e.g.*, Br. of Appellant EM 27-28 (arguing that the Republic's ability to appropriate BCRA's assets "with the stroke of a pen . . . proves beyond question that the Argentine state controls not only the Unrestricted Reserves, but *all* of the Central Bank's assets"), plaintiffs have failed to avail themselves of well-established legal principles that might permit attachment. In *Bancec*, the Supreme Court stated that "government instrumentalities established as juridical entities distinct and independent from their sovereign should normally be treated as such." 462 U.S. at 626-27. According to the Court,

> [f]reely ignoring the separate status of government instrumentalities would result in substantial uncertainty over whether an instrumentality's assets would be diverted to satisfy a claim against the sovereign, and might thereby cause third parties to hesitate before extending credit to a government instrumentality without the government's guarantee. As a result, the efforts of sovereign nations to structure their governmental activities in a manner deemed necessary to promote economic development and efficient administration would surely be frustrated.

Id. at 626 (footnote omitted).

The Court found support for this proposition in the legislative history of 28 U.S.C. § 1610(b), *see* note 6, *ante* (quoting § 1610(b)), the provision of the FSIA addressing the circumstances under which a judgment creditor may execute upon the assets of an instrumentality of a foreign government:

> Section 1610(b) will not permit execution against the property of one agency or instrumentality to satisfy a judgment against another, unrelated agency or instrumentality. There are compelling reasons for this. If U.S. law did not respect the separate juridical identities of different agencies or instrumentalities, it might encourage

> foreign jurisdictions to disregard the juridical divisions between different U.S. corporations or between a U.S. corporation and its independent subsidiary. However, a court might find that property held by one agency is really the property of another.

Bancec, 462 U.S. at 627-28 (quoting FSIA House Report at 29-30, *as reprinted in* 1976 U.S.C.C.A.N. at 6628-29).

In *Bancec*, the Court held that the "presumption that a foreign government's determination that its instrumentality is to be accorded separate legal status will be honored," *id.* at 628, could be overcome under certain circumstances, including where the instrumentality is "so extensively controlled by its owner that a relationship of principal and agent is created," *id.* at 629, and where recognizing the instrumentality's separate juridical status would "work fraud or injustice," *id.* (quoting *Taylor v. Standard Gas Co.*, 306 U.S. 307, 322 (1939)) (internal quotation mark omitted); *see also Letelier v. Republic of Chile*, 748 F.2d 790, 794 (2d Cir. 1984) ("The *Bancec* Court held that a foreign state instrumentality is answerable just as its sovereign parent would be if the foreign state has abused the corporate form, or where recognizing the instrumentality's separate status works a fraud or an injustice.").

Our respect for the separate juridical status of government instrumentalities led us to conclude in *Letelier* that the assets of Chile's state-owned airline, LAN, could not be executed upon to satisfy a judgment obtained against the Republic of Chile. *See Letelier*, 748 F.2d at 792, 799. We interpreted *Bancec* to establish a presumption that assets of a foreign government instrumentality could not be executed upon to satisfy a judgment against a parent foreign government. That presumption could be overcome only if the party seeking attachment carried its burden of demonstrating that the instrumentality's separate juridical status was not entitled to recognition. *See id.* at 794-95.

In *Letelier*, the district court had held that Chile's "direct control" of LAN's "assets and facilities," its power to use LAN's assets, its ability to "have decreed LAN's dissolution and taken over property interests held in LAN's name," and its use of the instrumentality's facilities and personnel to plan and carry out an assassination that gave rise to the judgment at issue in the case amounted to an abuse of corporate form justifying disregard of the instrumentality's separate juridical status. *Id.* at 794. We reversed, holding that

> [p]laintiffs had the burden of proving that LAN was not entitled to separate recognition. A creditor seeking execution against an apparently separate entity must prove the property to be attached is subject to execution. The evidence submitted by the judgment creditors does not reveal abuse of corporate form of the nature or degree that *Bancec* found sufficient to overcome the presumption of separate existence. As both *Bancec* and the FSIA legislative history caution against too easily overcoming the presumption of separateness, we decline to extend the *Bancec* holding to do so in this case.

Id. at 795 (citations and internal quotation marks omitted).

In a recent case, *LNC Invs., Inc. v. Republic of Nicaragua*, 115 F. Supp. 2d 358 (S.D.N.Y. 2000), *aff'd sub nom. LNC Invs., Inc. v. Banco Central de Nicaragua*, 228 F.3d 423 (2d Cir. 2000), a district court applied *Bancec* to defeat the efforts of LNC Investments ("LNC"), a judgment creditor of the Republic of Nicaragua ("Nicaragua"), to execute on assets of Nicaragua's central bank held in the FRBNY. In that case, LNC obtained a judgment against Nicaragua based on its holdings of defaulted debt instruments issued by Nicaragua. To satisfy the judgment, LNC sought to execute on assets of Banco Central de Nicaragua—Nicaragua's central bank—held in the FRBNY, contending that Nicaragua had waived immunity from attachment of its central bank's assets and, in the alternative, that the central bank could be required to satisfy the judgment against Nicaragua. *See id.* at 360-63.

The district court rejected LNC's waiver argument, *see id.* at 361-63, and held that the central bank could be required to satisfy the judgment against its parent sovereign government only if LNC could overcome the *Bancec* presumption that the central bank's separate juridical status must be respected, *see id.* at 363. It concluded that LNC failed to prove that Nicaragua abused the central bank's corporate form (*i.e.*, that the central bank was the "alter ego" of Nicaragua), or that respecting the central bank's separate juridical status would work a fraud or injustice. *See id.* at 363-66.

We affirmed in a brief opinion in which we expressed our agreement with the district court's reasoning. *See LNC Invs.*, 228 F.3d at 423 ("The district court held that the Central Bank's assets could not be reached to satisfy the judgment against Nicaragua. We agree and affirm for substantially the reasons stated by the district court."). This result has been described by a commentator as "consistent with the outcome in a series of prior appellate decisions that had shown a strong aversion to overriding the presumption of independent status for separate corporate agencies or instrumentalities." Paul L. Lee, *Central Banks and Sovereign Immunity*, 41 Colum. J. Transnat'l L. 327, 364 (2003).[14] *See also First City, Texas-Houston, N.A. v. Rafidain Bank*, 150 F.3d 172, 176 (2d Cir. 1998) (using *Bancec* to analyze claim that central bank of Iraq should be held liable

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[14] Lee cites *Letelier* and the following cases from the Fifth and Eleventh Circuits in support of this proposition: *Alejandre v. Telefonica Larga Distancia de Puerto Rico, Inc.*, 183 F.3d 1277, 1281 (11th Cir. 1999); *Hester Int'l Corp. v. Federal Republic of Nigeria*, 879 F.2d 170, 178-81 (5th Cir. 1989); and *Hercaire Int'l, Inc. v. Argentina*, 821 F.2d 559, 565 (11th Cir. 1987). *See* Lee, *ante*, at 362 n.137, 365 n.144.

We note that *Banco Central de Reserva del Peru v. Riggs Nat'l Bank*, 919 F. Supp. 13 (D.D.C. 1994), which plaintiffs relied upon in their briefs and at oral argument, also applied *Bancec* to a claim against the assets of Peru's central bank by a creditor of Peru (in that case, a claim for setoff). *See id.* at 16 ("As a general rule, courts must give great deference to the intent of foreign governments to establish separate entities." (citing *Bancec*, 462 U.S. at 626-27)).

for Iraq-owned commercial bank's repudiation of debts as commercial bank's "alter ego"); *Olympic Chartering S.A. v. Ministry of Indus. and Trade of Jordan*, 134 F. Supp. 2d 528, 530 (S.D.N.Y. 2001) (rejecting claim by judgment creditor of Jordan's Ministry of Industry and Trade for jurisdictional discovery concerning the Central Bank of Jordan ("CBJ") because "petitioner has made no allegation that CBJ is an alter ego of the judgment debtor nor of 'fraud or injustice' involving CBJ" (quoting *Bancec*, 462 U.S. at 629)).

We see no reason why the presumption of separateness required by *Bancec* and applied in *Letelier* and *LNC Investments* should not apply here to shield the FRBNY Funds from attachment. The separate juridical status of BCRA is not disputed by plaintiffs,[15] and plaintiffs expressly elected not to

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[15] "A typical government instrumentality . . . is created by an enabling statute that prescribes the powers and duties of the instrumentality, and specifies that it is to be managed by a board selected by the government in a manner consistent with the enabling law." *Bancec*, 462 U.S. at 624. BCRA satisfies this description. Appellees submitted below an uncontradicted affidavit stating that BCRA is an independent legal entity "charged by statute with the power and responsibility of issuing and monitoring the stability of the Argentine currency (the Argentine peso), establishing and implementing monetary policy, and regulating the Argentine banking system and financial sector." Aff. of Juan Bosco ¶ 3, J.A. 393. BCRA's statutory charter, Law No. 24,144/92 (Oct. 22, 1992, as amended) (the "Charter"), indicates that BCRA is a "self-administered institution of the [Republic]" managed by an independent Board of Directors appointed by the National Executive Power with the consent of the national Senate. Charter arts. 1, 6-7, J.A. 402-03. As an independent legal entity, BCRA has the legal authority to purchase and sell property in its own name, hold accounts in its own name, and sue and be sued in a court of law in its own name. Charter arts. 18, 33, 55, J.A. 407-08, 411, 414. In the District Court, plaintiffs did not dispute this characterization of BCRA's separate juridical status, and plaintiffs do not contest the statements in BCRA's appeal brief indicating that BCRA is a "'self-administered institution' whose independence from the Republic's executive branch is mandated by the Argentine Constitution and Argentine law," Br. of Appellee BCRA 2 (quoting Charter art. 1)—except to the extent that plaintiffs argue BCRA's formal independence is belied by the Republic's extensive control over the central bank.

argue in support of attachment that BCRA's separate juridical status should be disregarded because BCRA is the alter ego of the Republic. *See, e.g.*, Jan. 12, 2006 Hr'g Tr. 8, Special Appendix of Appellant EM 13 (counsel for EM acknowledging that the FRBNY Funds were "the central bank's property before the decree, subject to arguments which we think are legitimate arguments of ours that the central bank is the alter ego of the government. But that would still make it the central bank's property."); NML Reply Br. 21-22:

> The reason Central Bank assets were not available before December 15, 2005, [the date on which the Decrees were issued,] to be attached by *Argentina's* creditors is that the relevant debts are Argentina's and not the Central Bank's. Before President Kirchner decreed funds held by the Central Bank available to pay a debt of Argentina, appellants had no basis—*other than an alter ego argument, which they have not yet made in the District Court*—to argue that they were entitled to attach Central Bank funds to pay a debt of Argentina.

(citation omitted) (second emphasis added). Nor have they argued that the *Bancec* presumption should be overcome based on a finding that disregarding BCRA's separate juridical status is necessary to prevent fraud or injustice.[16] In fact, neither EM nor NML even so much as mentions *Bancec* in its briefs.

Furthermore, if plaintiffs believed that BCRA was not entitled to separate juridical status, they would not have needed to argue that the Decrees caused ownership or control of the FRBNY Funds to change from BCRA to the Republic upon issuance of the Decrees, because the FRBNY Funds would have been attachable assets of the Republic even before the Decrees were issued.

[16] This Court will not consider plaintiff's potential alter ego arguments in the first instance. *See Mellon Bank, N.A. v. United Bank Corp. of N.Y.*, 31 F.3d 113, 116 (2d Cir. 1994) (declining to review an argument not raised before the district court when the party "clearly had the opportunity to raise" it below).

We reject plaintiffs' effort to circumvent *Bancec* and our decisions in *Letelier* and *LNC Investments* by characterizing the Republic's ability and willingness to control BCRA as a transfer of property rights sufficient to give the Republic an attachable interest in the FRBNY Funds. Under *Bancec* and its progeny, plaintiffs bear the burden of overcoming the presumption that the FRBNY Funds are not available to satisfy a judgment against the Republic. *Bancec* indicates two circumstances in which the presumption may be overcome—if BCRA were proven to be the alter ego of the Republic, or if disregarding BCRA's separate juridical status were necessary to avoid fraud or injustice. Plaintiffs chose not to argue that either of these circumstances existed here, even though the Republic's alleged misdeeds cited in plaintiffs' briefs might have lent some credence to these arguments.[17] *Bancec* forecloses any argument that all of BCRA's $26.8 billion in reserves are "attachable interests" of the Republic merely because the Republic hypothetically *could have* ordered (but in the Decrees did not order) BCRA to assign or transfer the FRBNY Funds. *See Letelier*, 748 F.2d at 794 (findings that assets and facilities of Chile's instrumentality LAN "were under the direct control of Chile, which had the power to use them; [and that] Chile could have decreed LAN's dissolution and taken over property interests held in LAN's name" did not support allowing creditor to attach LAN's assets in order to satisfy judgment against Chile).

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[17] For example, the Republic's alleged interference with BCRA's affairs and efforts to remove attachable assets from the United States arguably could have supported arguments for disregarding BCRA's separate juridical status in order to avoid fraud or injustice. This approach, rather than the legally unsupported one advanced by plaintiffs, might provide a means by which creditors could "avoid allowing Argentina to play a shell game to deprive creditors of their legitimate remedies." Br. of Appellant NML 36.

C. Use of Funds To Repay the IMF Is Not a "Commercial Activity"

Even if we agreed that the Decrees effectively converted all of BCRA's reserves—including the reserves held in the FRBNY Account—into attachable assets of the Republic, we could not authorize the pre- or postjudgment attachment of the FRBNY Funds unless we found that the account had become property of the Republic "used for a commercial activity in the United States."[18] 28 U.S.C. §§ 1610(a) & (d); *see* note 6, *ante* (quoting relevant portions of § 1610). Plaintiffs essentially concede as much by arguing that the Unrestricted Reserves are attachable because they were "used for a commercial activity." *See* Br. of Appellant EM 32-36 (arguing that Unrestricted Reserves are attachable because they have been "used for a commercial activity"); Br. of Appellant NML 37-47 (same).[19]

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[18] We note, however, that if we agreed with plaintiffs' arguments concerning the effect of the Decrees on ownership and control of the FRBNY Funds, it would not be necessary to consider plaintiffs' arguments regarding the effect of the Republic's waiver on BCRA, as the Republic indisputably waived its assets' immunity from attachment under 28 U.S.C. §§ 1610(a)(1) and (d)(1). *Cf. Rafidain Bank*, 150 F.3d at 174 (noting that if central bank were alter ego of other instrumentality, central bank would be subject "to jurisdiction under the FSIA's commercial activity exception to immunity to the same extent as [the other instrumentality]").

[19] Plaintiff EM does argue in the alternative that the FRBNY Funds should not be immune from attachment because the Republic "went beyond merely waiving the immunity of those Reserves in the documents underlying [its] bond; it affirmatively pledged *not to assert* such immunity in proceedings to enforce the Judgment." Br. of Appellant EM 46 (emphasis in original). EM relies on *Caribbean Trading and Fid. Corp. v. Nigerian Nat'l Petroleum Corp.*, 948 F.2d 111 (2d Cir. 1991), in support of this argument.

EM's argument is without merit. As stated earlier, the Republic "irrevocably agreed not to claim and has irrevocably waived . . . immunity to the fullest extent permitted by the laws of [the] jurisdiction . . . ." By its explicit terms, the scope of the Republic's agreement not to claim immunity is coextensive with its waiver of immunity; both reach only to the "extent permitted under the laws of [the] jurisdiction." The FSIA explicitly protects all "property in the United States of a foreign state . . . from attachment arrest

Plaintiffs contend that the Republic's use of the FRBNY Funds constituted "a commercial activity in the United States" under 28 U.S.C. § 1610(a) because the funds could have been used to repay the Republic's debt to the IMF. They rely on *Republic of Argentina v. Weltover, Inc.*, 504 U.S. 607 (1992), in which the Supreme Court held that Argentina's issuance of commercial bonds constituted "commercial activity" under the FSIA, *see id.* at 615-17, to argue that a government's repayment of debt *always* constitutes "commercial activity" within the meaning of the FSIA. Under this reasoning, the Republic

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and execution except as provided in" 28 U.S.C. §§ 1610 & 1611. 28 U.S.C. § 1609. Under the laws of this jurisdiction, courts may grant the remedies of attachment, arrest and execution against a foreign state's property only if the property is eligible for attachment under a specific provision of the FSIA. *See, e.g., Conn. Bank of Commerce v. Republic of Congo*, 309 F.3d 240, 247 (5th Cir. 2002) ("[I]f a foreign sovereign waives its immunity from execution, U.S. courts may execute against 'property in the United States . . . used for a commercial activity in the United States.' 28 U.S.C. § 1610(a)(1). Even when a foreign state completely waives its immunity from execution, courts in the U.S. may execute only against property that meets these two statutory criteria."); *accord LNC Invs., Inc. v. Republic of Nicaragua*, No. 96 Civ. 6360 (JFK), 2000 WL 745550, at *3 (S.D.N.Y. June 8, 2000). To conclude otherwise would render meaningless the provisions of §§ 1610(a) & (d), which subject to attachment property of a foreign state when the property is "used for a commercial activity" *and* when the foreign state "has waived its immunity from attachment," 28 U.S.C. § 1610(a)(1); *see also id.* § 1610(d)(1) (permitting prejudgment attachment of a foreign state's property "used for a commercial activity" only where "the foreign state has explicitly waived its immunity from attachment prior to judgment").

Caribbean Trading does not support a contrary conclusion. In *Carribean Trading*, we found that a foreign state instrumentality waived the right to assert immunity from attachment provided by the FSIA by failing to timely assert it in the litigation in accordance with procedural rules governing all litigants. *See Caribbean Trading*, 948 F.2d at 115. We noted, however, that "[t]his wholly procedural rule does not infringe on the prerogatives of a foreign state under the FSIA. It merely imposes orderly procedures upon the assertion of those prerogatives." *Id.* We need not consider here what remedy, if any, a judgment creditor might have against a foreign state that violated an explicit promise not to assert any of the non-waivable protections of the FSIA in attachment proceedings, because the Republic did not make any such promise to plaintiffs.

engaged in "commercial activity" when BCRA repaid the Republic's debt to the IMF.

We disagree with plaintiffs' argument on two separate and independent grounds. First, we hold that the Republic's relationship with the IMF is not "commercial" in nature; thus, use of Unrestricted Reserves to repay the IMF did not constitute "commercial activity." Second, even if we assumed that the Republic's relationship with the IMF was "commercial" in nature, plaintiffs have failed to show on the present record that any of the FRBNY Funds were to be "used" to pay the IMF.

The FSIA's definition of "commercial activity" states that "[t]he commercial character of an activity shall be determined by reference to the nature of the course of conduct or particular transaction or act, rather than by reference to its purpose." 28 U.S.C. § 1603(d). According to the Supreme Court in *Weltover*, "[a] foreign state engaging in 'commercial' activities 'do[es] not exercise powers peculiar to sovereigns'; rather, it 'exercise[s] only those powers that can also be exercised by private citizens.'" 504 U.S. at 614 (second and third alterations in original) (quoting *Alfred Dunhill of London, Inc. v. Republic of Cuba*, 425 U.S. 682, 704 (1976) (plurality opinion)). This led the Court to conclude that "when a foreign government acts, not as regulator of a market, but in the manner of a private player within it, the foreign sovereign's actions are 'commercial' within the meaning of the FSIA. . . . [T]he issue is whether the particular actions that the foreign state performs (whatever the motive behind them) are the *type* of actions by which a private party engages in 'trade and traffic or commerce.'" *Id.* (quoting Black's Law Dictionary 270 (6th ed. 1990)). The Court concluded in *Weltover* that Argentina engaged in "commercial activity" within the meaning of the FSIA when it issued commercially-available debt instruments, because the instruments were "in almost all respects garden-variety debt instruments: They may be held by private parties; they are negotiable and may be traded on the international market

(except in Argentina); and they promise a future stream of cash income." *Id.* at 615.

The Republic's borrowing relationship with the IMF, and the repayment obligations assumed thereunder, are not similarly "commercial" for several reasons. First, when the Republic borrows from the IMF, it "exercise[s] powers peculiar to sovereigns." *Id.* at 614. The IMF is a unique cooperative international institution established by treaty—the Bretton Woods Agreement—following the end of the Second World War. *See* Articles of Agreement of the IMF, 60 Stat. 1401, T.I.A.S. 1501 (Dec. 27, 1945). The Bretton Woods Agreement has since been amended twice, most recently in 1976, *see* Second Amendment of Articles of Agreement of the International Monetary Fund, Apr. 30, 1976, 29 U.S.T. 2203, T.I.A.S. No. 8937 ("IMF Agreement"), *available at* http://www.imf.org/external/pubs/ft/aa/aa.pdf.[20] Only sovereign nation states can become members of the IMF, *see* IMF Agreement art. II, 29 U.S.T. at 2205-06, and only members can avail themselves of IMF financing, *see id.* arts. IV-V, 29 U.S.T. at 2208-20. The Republic is one of 184 sovereign nations that are members of the IMF. *See* IMF, *Members' Quota and Voting Power*, http://www.imf.org/external/np/sec/memdir/members.htm.

Second, the IMF's borrowing program is part of a larger regulatory enterprise intended to preserve stability in the international monetary system and foster orderly economic growth. *See* IMF Agreement art. IV § 1, 29 U.S.T. at 2208 (describing requirement that each member "undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of

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[20] The United States Governor of the IMF was given statutory authority to accept the amendments by the Bretton Woods Agreements Act of 1976, Pub. L. No. 94-564, 90 Stat. 2660. *See Trans World Airlines, Inc. v. Franklin Mint Corp.*, 466 U.S. 243, 249-50 (1984) (discussing 1976 amendments to the Bretton Woods Agreement).

exchange rates"); *id.* § 3, 29 U.S.T. at 2209 (granting the IMF the power "to oversee the international monetary system in order to ensure its effective operation" by "exercis[ing] firm surveillance over the exchange rate policies of members"). The Republic's borrowing relationship with the IMF is regulatory in nature because the IMF's provision of foreign currency or IMF-specific assets in exchange for domestic currency, *see post* (discussing unique nature of IMF loan arrangements), generally requires regulatory action by the Republic. *See Fact Sheet—IMF Lending*, http://www.imf.org/external/np/exr/facts/howlend.htm ("An IMF loan is usually provided under an 'arrangement,' which stipulates the specific policies and measures a country has agreed to implement to resolve its balance of payments problem."); *see also* Sandra Blanco & Enrique Carrasco, *The Functions of the IMF and the World Bank*, 9 Transnat'l L. & Contemp. Probs. 67, 75 (1999) (describing IMF loans beyond a minimum size as entailing "the explicit commitment by the member country to implement remedial measures in return for IMF assistance . . . . Those measures typically have related to the domestic money supply, budget deficits, international reserves, external debt, exchange rates, and interest rates."). The Republic agreed to many economic policy and regulatory reform measures in exchange for the IMF loans that were ultimately repaid in 2005. *See* IMF Independent Evaluation Office, *The IMF and Argentina, 1991–2001* 17-38 (2004) (describing and evaluating IMF's efforts to influence Argentina's exchange rate and fiscal policies, and to encourage structural reforms, in exchange for providing Argentina access to IMF capital); *see also Weltover*, 504 U.S. at 614 (concluding that "a foreign government's issuance of regulations limiting foreign currency exchange is a sovereign activity, because such authoritative control of commerce cannot be exercised by a private party").[21]

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[21] We do not mean to imply that a loan becomes non-"commercial" any time a sovereign debtor agrees to take regulatory actions in connection with the receipt of the loan—for example, in order to become more attractive to

Third, the terms and conditions of the Republic's borrowing relationship with the IMF are not governed by a "garden-variety debt instrument[ ]," *id.* at 615, but instead by the Republic's treaty obligations to the international organization, as supplemented by the terms and conditions contained in agreements associated with individual loans. If the Republic failed to comply with these obligations, it would be in breach of the IMF Agreement and as a result could lose its rights to use IMF borrowing facilities, participate in IMF governance, and ultimately, remain a member of the IMF. *See* IMF Agreement art. V § 5, 29 U.S.T. at 2213; *id.* art. XXVI § 2, 29 U.S.T. at 2254. The vehicle for enforcing the Republic's obligations to the IMF is diplomatic and thus sovereign, not commercial. *See MCI Telecommunications Corp. v. Alhadhood*, 82 F.3d 658, 663 (5th Cir. 1996) ("We find that alleged promises made through diplomatic channels do not constitute commercial activity.").

Fourth, IMF loans are structured in a manner unique to the international organization, and are not available in the commercial market. Instead of obtaining currency in exchange for debt instruments, IMF debtors purchase "Special Drawing Rights" ("SDRs") or other currency from the IMF *in exchange for their own currency*. *See* IMF Agreement art. V § 2(a), 29 U.S.T. at 2210 (stating that, with certain exceptions, "transactions on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with special drawing rights or the currencies of other members from the general resources of the Fund . . . in exchange for the currency of the member desiring

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potential lenders, or in order to satisfy terms and conditions of the loan. *Cf. Weltover*, 504 U.S. at 616 (rejecting argument that Argentina's issuance of bonds was non-commercial because the bonds were created "under a foreign exchange program designed to address a domestic credit crisis"). We merely point out that the relationship between the Republic and the IMF, a multilateral organization, is non-commercial in a way that the Republic's relationship with commercial lenders cannot be because of the unique role that the IMF plays in regulating the international monetary system by intervening in the economies of its members.

to make the purchase"); *id.* art. XVII §§ 2-3, 29 U.S.T. at 2239-40 (discussing who may hold SDRs); *see also* Blanco & Carrasco, *ante*, at 74 ("Although the IMF's assistance is usually referred to as 'lending' or 'loans,' a member country actually 'purchases' SDRs or other currencies from the Fund in exchange for its own currency and agrees to 'repurchase' (buy back) its own currency at a later date."). Because a nation state's borrowing relationship with the IMF takes place outside of the commercial marketplace, it cannot be considered "commercial" in nature. *Compare Weltover*, 504 U.S. at 617 (holding that Argentina "participated in the bond market in the manner of a private actor" when it issued bonds).

Even if we were to regard repayment of IMF debts as "commercial activity" within the meaning of §§ 1610(a) and (d), we would be required to hold that, on the present record, the FRBNY Funds are not available for attachment under § 1610 because the FRBNY Funds were never "*used for* commercial activity," and plaintiffs presented no evidence to the District Court that the Republic or BCRA intended the FRBNY Funds to be so designated. *See* 28 U.S.C. § 1610(a) (requiring attachable property to be "*used for* a commercial activity" (emphasis added)); *id.* § 1610(d) (same as to prejudgment attachment). We need not define the precise contours of "used for" within the contemplation of § 1610 because there is no evidence that either actual use or designation for use occurred here with respect to the FRBNY Funds. The mere fact that the FRBNY Funds *could have* been used to repay the Republic's debts to the IMF after the Decrees does not, standing alone, render those funds attachable. *See Conn. Bank of Commerce v. Republic of Congo*, 309 F.3d 240, 254 (5th Cir. 2002) (noting that the phrase "used for" in § 1610(a) "means what it says: property of a foreign sovereign . . . may be executed against only if it is 'used for' a commercial activity"). The plain language of the statute suggests that the standard is actual, not hypothetical, use. *See Walker Int'l Holdings Ltd. v. Republic of Congo*, 395 F.3d 229, 236 (5th Cir. 2004) (property not "used for" reimbursement of legal expenses where agreements never

moved beyond negotiation stage). Even if actual use were not required, at least specific designation for such use would be necessary. *Cf. Af-Cap Inc. v. Republic of Congo*, 383 F.3d 361, 370 (5th Cir. 2004) ("Although . . . contemplated use is not actual use, it is strongly suggestive that the [funds at issue] were not cordoned off for use of [the state] in its sovereign capacity." (footnote omitted)).

Here, though, the Decrees made *all* BCRA funds *potentially* available for the repayment of the Republic's debts, and never specified which funds would be used to back the monetary base and which funds would be designated Unrestricted Reserves. Accordingly, plaintiffs cannot demonstrate on the basis of the Decrees alone that the FRBNY Funds were intended to be "used for" repaying the IMF.

D. The FRBNY Funds Are Immune From Attachment Even Without Reference to Section 1611(b)(1)

The parties have offered a variety of interpretations of 28 U.S.C. § 1611(b)(1)'s provision granting immunity from attachment for property "of a foreign central bank . . . held for its own account," provided that the central bank's immunity is not "explicitly waived." 28 U.S.C. § 1611(b)(1). But because the FRBNY Funds have remained assets of BCRA that cannot be used to satisfy a judgment against the Republic, we need not decide which interpretation of § 1611(b)(1)'s "held for its own account" language is correct in order to resolve this appeal. Section 1611(b)(1) provides a central bank with special protections from a judgment creditor who would otherwise be entitled to attach *the central bank's funds* under 28 U.S.C. § 1610. *See* 28 U.S.C. § 1611(b)(1) (protecting from attachment assets of a central bank "[n]otwithstanding the provisions of section 1610"). We have already held that plaintiffs have not established their right to attach the FRBNY Funds. Thus, even assuming *arguendo* that the FRBNY Funds were not "held for [BCRA's] own account," or that the Republic explicitly waived

BCRA's immunity from attachment,[22] plaintiffs would remain unable to attach the FRBNY Funds.

Our interpretation of Section 1611(b)(1) is in accord with the district court's opinion in *LNC Investments*, which found persuasive the Nicaraguan central bank's argument that its assets could not be attached to satisfy a judgment against Nicaragua even if Nicaragua waived the central bank's immunity from attachment:

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[22] Without reaching these issues, we note that there is little support for plaintiffs' arguments that the FRBNY Funds were no longer held for BCRA's "own account" upon issuance of the Decrees, or that BCRA's immunity from attachment was explicitly waived. With respect to § 1611(b)(1)'s "held for its own account" language, central banks regularly execute transactions with the IMF on behalf of their parent governments; IMF members are required to designate a fiscal agent for financial transactions with the IMF, and the vast majority of members designate their respective central banks. *See* IMF Agreement art. V, § 1, 29 U.S.T. at 2210; IMF Treasurer's Department, Pamphlet No. 45, *Financial Organization and Operations of the IMF*, at 84 (6th ed. 2001) (noting that "most members of the IMF have designated their central bank as . . . the fiscal agency"). Thus, the legislative history of Section 1611(b)(1), discussed *ante*, would support the conclusion that even if BCRA had decided to use the FRBNY Funds to repay the IMF, the funds would continue to be held for BCRA's "own account," 28 U.S.C. § 1611(b), because the funds would be "used or held in connection with central banking activities," FSIA House Report at 31, *as reprinted in* 1976 U.S.C.C.A.N. at 6630.

Turning to plaintiff's waiver arguments, although the Republic's waiver of immunity from attachment is worded broadly, it does not appear to clearly and unambiguously waive BCRA's immunity from attachment, as it must do in order to be effective. *See Libra Bank Ltd. v. Banco Nacional de Costa Rica*, 676 F.2d 47, 49 (2d Cir. 1982) (requiring explicit waiver of immunity from prejudgment attachment under 28 U.S.C. § 1610(d) to be "clear and unambiguous"). The Republic's waiver of immunity mentions certain reserves that are held by BCRA, but it makes no mention of BCRA itself, and does not state that it is waiving BCRA's immunity from attachment. *See* 28 U.S.C. § 1611(b)(1) (waiver only effective with respect to a "bank or authority" if it, "or its parent foreign government, has explicitly waived *its* immunity from attachment in aid of execution" (emphasis added)).

> [a]lthough a parent government may waive the immunity of its central bank pursuant to § 1611, nothing in the clear language of § 1611 remotely suggests that such a waiver automatically renders a central bank liable for a judgment entered against its parent government. Section 1611 simply demonstrates that the assets of a foreign bank can be attached and executed to satisfy a judgment entered *against that foreign central bank* when, and only when, the central bank or its parent government has made an explicit waiver of the bank's immunity.

LNC Invs., Inc. v. Republic of Nicaragua, 115 F. Supp. 2d 358, 362-63 (S.D.N.Y. 2000) (alteration and emphasis in original), *aff'd sub nom. LNC Invs., Inc. v. Banco Central de Nicaragua*, 228 F.3d 423 (2d Cir. 2000); *see also* Paul L. Lee, *Central Banks and Sovereign Immunity*, 41 Colum. J. Transnat'l L. 327, 395 (2003) ("[W]hether or not the central bank has explicitly waived immunity and whether or not the funds constitute funds held for the central bank's own account, property of the central bank will be subject to attachment or execution only for claims against the central bank and not for claims that pertain only to the government or its other agencies and instrumentalities.").

E. The District Court Properly Denied EM's Discovery Request

We are mindful that a federal trial court has wide latitude over the management of discovery, *see Wills v. Amerada Hess Corp.*, 379 F.3d 32, 41 (2d Cir. 2004), but in the FSIA context, "discovery should be ordered circumspectly and only to verify allegations of specific facts crucial to an immunity determination." *First City, Texas-Houston, N.A. v. Rafidain Bank*, 150 F.3d 172, 176 (2d Cir. 1998) (quoting *Arriba Ltd. v. Petroleos Mexicanos*, 962 F.2d 528, 534 (5th Cir. 1992) (internal quotation marks omitted)); *cf. Kelly v. Syria Shell Petroleum Dev. B.V.*, 213 F.3d 841, 849 (5th Cir. 2000) ("FSIA immunity is immunity not only from liability, but also from the costs, in time and expense, and other disruptions attendant to litigation."). Because the record makes clear that the FRBNY

Funds were never an attachable asset of the Republic and that § 1610's "commercial activity" exception to immunity from attachment does not apply, EM was "not entitled to any other discovery," as it has failed to "show[ ] a reasonable basis for assuming jurisdiction" over BCRA. *Rafidain Bank*, 150 F.3d at 177 (quoting *Filus v. Lot Polish Airlines*, 907 F.2d 1328, 1332 (2d Cir. 1990)). There is no indication on this record that the District Court improperly calibrated the "delicate balancing 'between permitting discovery to substantiate exceptions to statutory foreign sovereign immunity and protecting a sovereign's or sovereign agency's legitimate claim to immunity from discovery.'" *Id.* at 176 (quoting *Arriba*, 962 F.2d at 534).

CONCLUSION

For the reasons stated above, plaintiffs' motion for certification of the appeal pursuant to 28 U.S.C. § 1292(b) is granted. The order of the District Court vacating the Amended Restraining Notices is affirmed.

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

EM LTD.,		
Plaintiff,	:	03 Civ. 2507 (TPG)
-against-	:	
THE REPUBLIC OF ARGENTINA,	:	
Defendant.	:	
NML CAPITAL, LTD.,		
Plaintiff,	:	03 Civ. 8845 (TPG)
-against-	:	
THE REPUBLIC OF ARGENTINA,	:	
Defendant.	:	
NML CAPITAL, LTD.,		
Plaintiff,	:	05 Civ. 2434 (TPG)
-against-	:	
THE REPUBLIC OF ARGENTINA,	:	
Defendant.	:	

ORDER VACATING ATTACHMENTS AND RESTRAINING NOTICES, CERTIFYING THE VACATUR ORDER FOR APPEAL AND STAYING VACATUR PENDING APPEAL

WHEREAS, on December 30, 2005, this Court (Honorable Barbara S. Jones, USDJ) issued *Ex Parte* Orders of Attachment and Temporary Restraining Orders ("Attachments") in the actions brought by Plaintiff NML Capital, Ltd. ("NML"), and

Restraining Notices in the action brought by Plaintiff EM Ltd. ("EML," together with NML, the "Plaintiffs"), which were served on that same day on the New York branches or offices of eight garnishee banking and/or financial institutions (such New York branches or offices hereinafter referred to as the "Garnishees"): The Federal Reserve Bank of New York ("FRBNY"); Deutsche Bank Trust Company; Credit Suisse First Boston; Citibank, N.A.; American Express Bank, Ltd.; Bank of New York; Banco de la Nación Argentina; and JPMorgan Chase & Co.; and

WHEREAS, the Attachments and Restraining Notices relate in part to property in accounts of third-party Banco Central de la República Argentina (the "Central Bank") in New York held by or located at the Garnishees; and

WHEREAS, Defendant The Republic of Argentina ("Argentina") and the Central Bank moved on January 6, 2006, by order to show cause, to vacate the Attachments and Restraining Notices; and

WHEREAS, the Court held a conference on January 6, 2006; and

WHEREAS, the Parties executed and the Court entered a Stipulation and Consent Order on January 9, 2006, modifying the scope of the Attachments and Restraining Notices as requested by the Court during the January 6, 2006 conference; and

WHEREAS, the Plaintiffs moved on January 10, 2006, by order to show cause, to confirm the Attachments and Restraining Notices as modified by the January 9, 2006 Stipulation and Consent Order; and

WHEREAS, on January 12, 2006, the Court heard argument on Plaintiffs' motions to confirm the Attaches and Restraining Notices as modified by the January 9, 2006 Stipulation and Consent Order, and the motions of Argentina

and the Central Bank to vacate the Attachments and Restraining Notices; and

WHEREAS, the Court ruled that the Attachments and Restraining Notices, as modified by the January 9, 2006 Stipulation and Consent Order, should be vacated for the reasons stated on the record at the January 12, 2006 hearing (the "Vacatur Order"); and

WHEREAS, at the end of the January 12, 2006 hearing, the Plaintiffs moved orally (1) to stay the effect of the Vacatur Order pending an appeal from that Order, and (2) to certify the Vacatur Order for appeal pursuant to 28 U.S.C. § 1292(b), both of which motions the Court granted orally at the January 12, 2006 hearing; it is therefore and hereby

ORDERED, that the motions of Argentina and the Central Bank to vacate the Attachments and Restraining Notices are GRANTED; the motions of the Plaintiff to confirm the Attachments and Restraining Notices as modified by the January 9, 2006 Stipulation and Consent Order are DENIED; and the Attachments and Restraining Notices as modified by the January 9, 2006 Stipulation and Consent Order are VACATED; and it is further

ORDERED, that the Plaintiffs' motion to stay the effect of the Vacatur Order pending an appeal of that Order is GRANTED on condition that Plaintiffs seek an expedited appeal on a schedule agreed to with Argentina and the Central Bank; and the effect of the Vacatur Order is hereby STAYED pending the final disposition of such appeal; and it is further

ORDERED, that the Plaintiffs' motion to certify the Vacatur Order for appeal pursuant to 28 U.S.C. § 1292(b) is GRANTED, and in the event the Court of Appeals concludes that the Vacatur Order is not otherwise appealable under 28 U.S.C. § 1291 or 28 U.S.C. § 1292(a), this Court finds that the criteria for appeal pursuant to 28 U.S.C. § 1292(b) are met; and it is further

ORDERED, that the Clerk of Court shall file all of the following papers under seal, with the corresponding docket entries setting forth only the date of the filing and the statement "Document Filed Under Seal":

1. All papers submitted in connection with EML's *Ex Parte* Motion for Court-Issued Restraining Notices Directed to Assets Held for Argentina By Its Central Bank;

3.[sic] All papers submitted in connection with NML's *Ex Parte* Motion for an Order of Attachment;

4. All Restraining Notices entered by Judge Jones in EML's lawsuit on December 30, 2005;

5. All *Ex Parte* Orders of Attachment and Temporary Restraining Orders entered by Judge Jones in NML's lawsuits on December 30, 2005;

6. All garnishee statements filed by the Garnishees in connection with these actions between December 30, 2005 and the date of this Order, and all garnishee statements filed by the Garnishees in connection with these actions between the date of this Order and the final disposition of any appeal of the Vacatur Order;

7. The transcript of the hearing held in these actions at 4:00 p.m. on January 6, 2006;

8. The Stipulation and Consent Order entered by this Court on January 9, 2006;

9. All papers filed in connection with Argentina's Motion, by Order to Show Cause, to Vacate *Ex Parte* Restraining Notices and Orders of Attachment;

10. All papers filed in connection with the Central Bank's Motion, by Order to Show Cause, to Vacate *Ex Parte* Restraining Notices and Orders of Attachment;

11. All papers filed in connection with the Plaintiffs' Motion to Confirm Attachment and Restraining Orders and in Opposition to Motions of the Republic of Argentina and Banco Central de la República Argentina to Vacate Those Orders;

12. All submissions by any third party in connection with the Attachments and Restraining Notices;

13. The transcript of the hearing held in these actions at 4:00 p.m. on January 12, 2006; and

14. This Order.

Dated: January 24, 2006

SO ORDERED,

/s/
Thomas P. Griesa
U.S.D.J.

APPENDIX C

61ctemla Argument

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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EM LTD.,
Plaintiff,
v. 03 CV 2507 (TPG)
THE REPUBLIC OF ARGENTINA,
Defendant.

----------x

NML CAPITAL, LTD.,
Plaintiff,
v. 03 CV 8845 (TPG)
THE REPUBLIC OF ARGENTINA,
Defendant.

----------x

NML CAPITAL, LTD.,
Plaintiff,
CORRECTED
v. 05 CV 2434 (TPG)
THE REPUBLIC OF ARGENTINA,
Defendant.

----------x

New York, N.Y.
January 12, 2006
4:00 p.m.

Before:
HON. THOMAS P. GRIESA,
District Judge

APPEARANCES

DEBEVOISE & PLIMPTON
Attorneys for Plaintiff EM Ltd.
BY: DAVID W. RIVKIN
DENNIS HRANITZKY
VICKY FULOP

DECHERT
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MICHAEL J. BYARS

SULLIVAN & CROMWELL, LLP
Attorneys for Banco Central de la Republica Argentina
BY: JOSEPH E. NEUHAUS
LAURENT STEPHAN WIESEL

(In open court)

THE COURT: What we have today is a motion by the Republic of Argentina to vacate an order of attachment signed by the partnering judge on December 30, that is Judge Jones, an order of attachment in favor of NLM Capital and restraining notice which Judge Jones approved for service, and she entered that order in favor of EM Limited against the Republic of Argentina. And there have been proceedings since then, and they're on the record and there's no reason to take time to summarize all that.

So we come right to the issue about –

MR. RIVKIN: Your Honor, I apologize for interrupting. David Rivkin representing EM Limited.

You also have before you our motion to confirm the attachment and restraining orders that was put onto the same timetable, so both motions are pending.

THE COURT: Exactly.

MR. RIVKIN: Since you were setting up the record I wanted to make that clear.

THE COURT: Now look, extensive papers have been filed and so it's really up to the lawyers what you think ought to be discussed in the arguments, and I'll really leave that to you, and if I feel that it's redundant with what I have read or considered, I'll step in, but who wants to lead off?

MR. RIVKIN: Since it's our attachment.

MR. NEUHAUS: It's our motion.

THE COURT: We have two motions. Let's hear the affirmative in favor of the attachment.

MR. RIVKIN: Thank you, your Honor. I'll speak from here if that's okay.

THE COURT: As long as you speak loudly.

MR. RIVKIN: I think you can hear me. I have done it before. If you need me to speak up, let me know.

Your Honor, I appreciate that you read the papers and that they are voluminous and they go through our arguments in some detail, so I will not repeat everything that is there. We have been before you on other issues in this case and you're well aware of the importance of this particular proceeding.

Your Honor, there is no question here that if what you had was a regular deadbeat debtor who owed many creditors money and that creditor gave instructions to a bank to pay off – if that debtor gave instructions to a bank to pay off one of its creditors in a few days and we served, representing another creditor, papers on that bank attaching the property of that deadbeat debtor, there is no question that an attachment in those circumstances would be a valid, effective attachment, and that the money to be paid to another creditor would instead be the proper subject of the attachment and therefore properly payable to the creditors who served the attachment. That is straightforward Hornbook Law under New York Law. There's no

question about that. And I don't think Argentina or the central bank can raise any question about that.

All they can do and have done in their papers is say: Wait, this is different, because the deadbeat debtor is Argentina, and the bank that they happen to be using to make this payment is the central bank. And your Honor, for the reasons we have briefed to you, those facts don't make a difference. This payment was not –

THE COURT: Well, in all fairness, they're not quite as simplistic.

MR. RIVKIN: Well, they are. They say – the only difference between the situation I described and this one is that they say the money was paid pursuant to an ordinary central bank activity and that is covered by immunity under the Foreign Sovereign Immunity Act.

And your Honor, there is a very simple answer to that. And that is if this were an ordinary central bank activity and a routine activity that is covered by that immunity, then why did they need an executive decree in order to implement that? If this were an ordinary activity, they could have gone about and paid. But they didn't, your Honor, they needed an executive decree by the president, a stroke of the pen. You have heard, your Honor, for years from Mr. Blackman about how poor they are, about how they can't pay off all their debts. But Argentina chose in December to pay off one very large

creditor, the IMF, and they chose to pay them more than $9 billion, and they did that with the stroke of a pen. The president issued a decree, signed it, and lo and behold, the funds were there at the central bank to be paid to the IMF. And that stroke of the pen showed both that Argentina has the money to pay other creditors –

THE COURT: Let's focus on the specific language of the decree, and that is quoted – just refresh my memory, is it in your memorandum?

MR. RIVKIN: It is Attachment Number 1 of the declaration of Mr. Hranitzky.

THE COURT: Is it quoted in your memorandum?

MR. RIVKIN: Yes. I tell you the best description of it is actually in the brief by the central bank where they say that the executive decree modified the convertibility law to allow the application –

THE COURT: Where are you reading from?

MR. RIVKIN: I am reading from their brief at page six, their first brief. The decree itself is Exhibit 1 to the original Hranitzky declaration as well.

THE COURT: Where is the language? What was the status before the decree? And I'm talking about property, but whose property was the money in the central bank? Whose property was it?

Because I mean obviously there are foreign sovereign

immunity questions, but you don't even get to them until you get past property questions. And the only thing that can be attached or restrained is property or assets of the Republic, Republic is the debtor. So what was the status before the decree?

MR. RIVKIN: Your Honor, the status, the money held by the central bank before the decree was either the central bank's or Argentina's. But you don't need to decide which, we –

THE COURT: Yes, I do need to decide, I want to know what it was before.

MR. RIVKIN: We believe it was Argentina's. We believe –

THE COURT: You think it was Argentina's all along.

MR. RIVKIN: We believe it was Argentina's all along.

THE COURT: Then the decree didn't make a change.

MR. RIVKIN: It made a critical change. That is why I say you don't have to decide what the status –

THE COURT: Please don't tell me what I have to decide. I want to have that firmly in mind to see whether there was a change by the decree. Because you are relying on that a lot. The decree didn't change anything. That is a very important circumstance.

MR. RIVKIN: I understand. Your Honor, the money held by the central bank before the decree was used to support its

monetary functions.

THE COURT: Whose property was it?

MR. RIVKIN: The money – it was the central bank's property before the decree, subject to arguments which we think are legitimate arguments of ours that the central bank is the alter ego of the government. But that would still make it the central bank's property.

THE COURT: The central bank's property before the decree. What is the language in the decree that changed that, if it did?

MR. RIVKIN: What the decree did – I'm reading from page four of the bank's brief on the bottom paragraph.

THE COURT: What article of the decree?

MR. RIVKIN: Well, the decree is very short. It's the article – it's the paragraph on the first page of the decree, the second paragraph from the bottom, your Honor, where it says: It is deemed appropriate to provide that the reserves in excess of the percentage that may be allocated for payment of obligations undertaken with international monetary authorities as long as those transactions result in a neutral monetary effect.

Then the decree says that – sorry, Article I of the decree on page two, by the president, with his stroke of the pen, says changes the convertibility law by making the reserves of the central bank up to 100 percent of the monetary base, and

the assets that constitute the reserves, in addition to those, that amount needed to support the monetary base, became the property of Argentina so that Argentina could pay.

THE COURT: Where are you reading now?

MR. RIVKIN: I'm reading that from the bottom of Article VI on the second page of the decree and the top.

THE COURT: Where does it say this becomes the property of the Republic?

MR. RIVKIN: It says as long as the monetary effect is neutral -- I'm reading at the top of page three – as long as the monetary effect is neutral, the unrestricted reserves, meaning the reserves that are not held for the monetary function, may be used for payment of obligations undertaken with international monetary authorities.

Your Honor, those obligations undertaken with international monetary authorities are the government's obligations, they are not the central bank's obligations. So what the decree said, and now I'm quoting, because it's a simple way of describing it, but it's not my words, it's Mr. Neuhaus's words: What the decree did was modify the convertibility law to allow the application of the bank's reserves in excess of the monetary base to pay debts owed to international financial bodies such as the IMF, as long as the monetary payment of such payment was neutral.

So what the decree did is took that excess and

Argentina said: That's ours, that's not the central bank's. And they used about $8 billion of that to pay off the IMF, I might add after our attachment served on the central bank, but on the Fed and garnishees, and they borrowed the extra billion dollars from Hugo Chavez, but they paid off the $9 billion by appropriating that money.

Now they don't dispute that's what happened. As I said, that's what they described here. What they then try to say is: Well, there was a loan, it was actually a loan to the government of that $8 billion that was taken out of the central bank's reserves. Well, if it's a loan, your Honor, it's still Argentina's money if it's a loan to the government.

So one way or the other the Argentina – all the money that the central bank held in excess of its monetary obligations became the property of the government of Argentina, and we attached that validly on December 30th, and your Honor we attached it then –

THE COURT: Now look, I want to be – you're on the decree, it's page one, that paragraph beginning consequently.

MR. RIVKIN: Right, and it says then –

THE COURT: Just a minute.

MR. RIVKIN: That's the whereas clause, right.

Then Article I of the decree has in its paragraphs first says that the reserves of the bank shall be what it needs to support the monetary base, and it defines that – it says

that in Article IV and it defines that in Article VI. And then the last paragraph of Article I, which is on the top of page three, appropriates the unrestricted reserves, the reserves they don't need for the monetary base, to pay obligations undertaken with international monetary authorities. And those obligations are only the government's obligations.

Mr. Neuhaus has admitted that the debt that was paid off was Argentina's debt against the IMF. That's also in their papers. They say in their brief: These borrowings are ultimately the Republic's vis-a-vis the IMF. So they admit the purpose of the decree was to make it possible for them to pay the debt to IMF from the reserves.

And in light of these admissions, your Honor, the argument that the funds were somehow held by the central bank for its own account defies logic. And as I said –

THE COURT: Wait a minute. The new Article V says reserves in excess of the percentage established in Article IV, that is to cover the monetary base, reserves in excess of the percentage established in Article IV shall be known as unrestricted reserves. And then in Article VI it says the assets that constitute the reserves mentioned in the preceding articles are not subject to attachment. What is meant by that?

MR. RIVKIN: It's a rather self-serving statement by the government that it doesn't want the unrestricted reserves, which is defined in Article V, to be attached. But the rest of

Article VI makes clear that can't be, they can't simply declare it not subject to attachment.

THE COURT: When it says the assets that constitute the reserves mentioned in the preceding article, I guess it's referring to the unrestricted reserves.

MR. RIVKIN: Well, it probably refers to both reserves because it talks about the preceding articles. It probably talks about both the restricted reserves described in Article IV and the unrestricted reserves described in Article V. But you look to US law, not Argentinian law about whether it is subject to attachment.

THE COURT: Then the concluding part of that article is what you are mainly referring to, and it says: As long as the monetary effect is neutral, the unrestricted reserves may be used for payment of obligations undertaken with international monetary authorities.

What's meant by as long as the monetary effect is neutral?

MR. RIVKIN: Means they have to protect the monetary – they have to protect the value of the currency with the restricted reserves, the amount that is necessary with the restricted reserves, but the other reserves that they don't need to support the pesos.

THE COURT: Is that what is meant by monetary effect, do you think?

MR. RIVKIN: Yes, your Honor. They clearly divided reserves into two pieces; one was for the ordinary central banking function of protecting the monetary base, and the other was to pay off the government's debts. And that's not an ordinary central bank function. Surely they may sometimes act as a paying agent, but if they are acting as a paying agent it's the government's money they are paying. And the government here must take this unrestricted portion of the reserves and then they issued payment instructions to the central bank, just like any other debtor, and said pay off this creditor. This creditor happens to be a very big one, the IMF and they paid them $9 billion.

THE COURT: Billion.

MR. RIVKIN: Billion. They could have, by the same stroke of the pen, said pay off the other creditors, like those of us that are at the table, but they chose not to do that.

THE COURT: And there was a second decree; right?

MR. RIVKIN: Yes, there was a second decree the same day saying effectively the same thing.

Sorry, the second decree said pay the IMF, that's Tab 2 behind –

THE COURT: Decree 16\01\2005?

MR. RIVKIN: Yes.

THE COURT: What does that say?

MR. RIVKIN: It says, if you look at the third

paragraph from the end – actually if you look at the fourth paragraph from the end, again it says what we were talking about a minute ago, use of part of the reserves to address commitments to international monetary authorities, those are only the government's obligations, doesn't affect the maintenance of an appropriate level of liquidity. Then it says given these circumstances, it is necessary and appropriate to order the implementation of the mechanisms for payment of the debt to IMF. So those are the payment instructions from the government to the central bank.

And then the next to last paragraph says the minister of economy is instructed to take the pertinent steps. So that's the government making the payment through the central bank, again, just like any other deadbeat debtor, as I described.

And if you look at the first paragraph under the whereas at the top of this second decree, again it simply – it provides that, in accordance with the first decree, the reserves of the central bank that are in excess of the monetary base, in other words the unrestricted reserves, may be used to pay obligations, the government's obligations, not the bank's, undertaken with international monetary authorities.

So they divided the pie in half, they appropriated the half or the two-thirds, one-third, but they took the piece of the pie that they wanted to pay off the IMF because they made a

decision that's what they wanted to do by the year end and they used this money to do it. And payment of – so there's no question that this money that was set up at the central bank as unrestricted reserves, became, if it wasn't already, the property of Argentina.

And it's also clear, your Honor, that payment of sovereign debt is a textbook example of commercial activity.

THE COURT: Why is that a textbook example?

MR. RIVKIN: Because the Supreme Court said so in the Weltover case.

THE COURT: Really?

MR. RIVKIN: Yes, it was Argentina v Weltover. And that's why we're here, your Honor.

THE COURT: It says that if it was doing this that private people would do –

MR. RIVKIN: It says it's the same character, your Honor, is the word that it used. That's the operative word. And what they are doing, they borrow and they pay back. That's what a private person does and that's what a government can do.

But that payment of debt is commercial activity. You have already ruled that effectively by granting our judgment because the commercial – under the commercial activity exception as well.

THE COURT: What do you mean I ruled that? I haven't ruled any such thing.

MR. RIVKIN: There's no difference, your Honor, between the debt which they, Argentina, owed to us and the debt which Argentina owed to the IMF. In both case they borrowed money, which is the same that a private person can do, and they have to repay the money. That is of the same character and that's the test under the Weltover case, and the legislative history makes that clear.

And if Congress -- They argue that somehow payment to an international monetary authority is different, but Section 1611 of the FSIA makes that clear, because if Congress intended to immunize payments to multilaterals like the IMF, they would have done so in that section, because that section immunizes payments from multilaterals to the United States but doesn't immunize payments in the other direction. Clearly Congress also viewed payment by the government to the IMF as being an ordinary commercial activity.

So your Honor, for these reasons we think we have properly attached funds which are the government of Argentina's. We don't think any basis for immunity applies to the funds we have attached, and we would ask you to confirm the attachment in place.

There is one additional argument, your Honor, which is that we believe that Argentina has waived any immunity over those funds, and Mr. Cohen can address that to your Honor.

But then finally let me say that we pointed out in our

brief that, should you feel that there are – that you can't confirm it now, perhaps because there are some factual issues about some of the statements made by Argentina, then we should be entitled to discovery to learn more about the effect of the decree, the central bank functions, what Argentina plans to do with additional freely available reserves as they come up, the purposes of the funds.

There are a lot of issues, your Honor. They have made certain factual statements in their declarations with which we completely disagree, and there is no urgency to lift this at this point in time because of the stipulation which is entered into which allows them to continue what they ordinarily need to do. If you would like to later, we can talk about the specific discovery issues, but we don't think discovery is needed in order to confirm the attachments at this time.

THE COURT: Look, the $105 million in the Federal Reserve Bank here deposited by the central bank was not actually used to pay the IMF; right?

MR. RIVKIN: That is what they say. That is their assertion.

THE COURT: I am going to assume that. I mean it's there and –

MR. RIVKIN: But we don't know what else might have been there on December 30th. But assume that is true for now, that's right.

THE COURT: Let's assume it.

MR. RIVKIN: That's fine.

THE COURT: Now I would think that your argument, if that assumption is correct, your argument would have to be based on the first decree, because the second decree would not really particularly come into play, but I assume you're really relying on the first decree. And you certainly emphasize that this afternoon; right?

MR. RIVKIN: Yes, your Honor. I think the framework, the way I would put it is that the first decree made clear that the unrestricted reserves, the reserves in excess of the monetary amount, were the government's.

What the second decree showed, I'm not relying on it for that purpose, but what the second decree showed is that first decree is true, because they were able in the second decree to say: Now that money is ours and you pay it. And the fact that they didn't need all of it doesn't mean the rest of the money isn't theirs, it only means that they only instructed the central bank to pay that amount of the unrestricted reserves, but the rest of it has still been defined, what is left behind, including this $105 million, is still in the unrestricted reserves pool, which is Argentina's, and they –

THE COURT: How do we know that the 105 million is in the unrestricted part of the reserves?

MR. RIVKIN: Well, the decree didn't discriminate it,

it simply created different accounts, but there's no – there was no label attached to one dollar or another. In any event, money is fungible, your Honor, and in fact they are not arguing – they have not argued that this $100 million is necessary for the monetary function of the government.

THE COURT: Well, I'm a little puzzled how that would work, because there's a lot of bond indebtedness, and I think there are billions of dollars' worth of bonds represented by the lawsuit. The lawsuit is before me; isn't that right?

MR. RIVKIN: That's right. Our judgment alone is about $750 million, your Honor.

THE COURT: Let's take a hypothetical case. Let's suppose the amount of the – what do they call it, the unrestricted reserves?

MR. RIVKIN: Yes, your Honor.

THE COURT: Let's suppose that it is $15 billion, and let's suppose that – let's put the IMF out of the picture, and let's suppose that – my figures may be totally cockeyed, I'm talking hypothetically.

MR. RIVKIN: I understand.

THE COURT: Let's suppose there is private bond indebtedness out there that hasn't been taken care of by the settlement of say $20 billion.

MR. RIVKIN: Yes, your Honor.

THE COURT: Unrestricted 15 billion, bond indebtedness

20 billion, and let's suppose that all those – there's judgments entered totaling 20 billion.

Now the judgment creditors start in, and my hypothetical has to assume that they can go around and attach or execute anywhere they can find the money; Bank of England, French banks, Italian banks.

Now this may be unrealistic, but I still have a point that I would like to ask you about. They go to somebody with a judgment for a billion dollars, comes to the Federal Reserve Bank in New York and said well, there's this decree, and these unrestricted funds belong to the Republic and we have a judgment against the Republic and we are serving a writ of execution for a billion dollars. And the Federal Reserve Bank says we don't know whether it's restricted or unrestricted, we haven't been told.

And so the judgment creditor says well, look, we know that the amount of the unrestricted is 15 billion, and so we're only taking one billion here, so freeze it. And then somebody else goes to the Bank of England, and let's suppose under the law they could execute, and they have got a judgment for 3 billion. They go to the bank of England, and the Bank of England they say we're attaching unrestricted reserves, and the Bank of England says we don't know whether they're restricted or unrestricted. And the judgment creditor says well – and the Bank of England says what's going on all over the world.

And the guy says I don't know, we haven't been told, they're an ex-parte, people can get ex-parte attachments, there isn't a schedule that is posted every day. So they say well, it's only 3 billion and there's 15 billion of unrestricted so we have a right to attach, and let's suppose some English judge agrees, so attachment of a total of 4 billion.

But it seems to me that without some designation, this could be – and I don't think my hypothet is too wild – it seems to me that if we can simply go in, if some judgment creditor could go in to seize assets and those assets are not clearly designated as property of the Republic, what's the basis for seizing the assets?

And if we say we don't care about that, then it seems to me potentially absolute chaos.

MR. RIVKIN: Your Honor, let me answer that question in a number of different ways. First of all, while the central bank and the government have each made various untested declarations to you in this particular proceeding, in none of those declarations did Argentina argue that the money held at the Fed is part of the so-called restricted reserves which are necessary in order to protect the value of the currency.

THE COURT: I don't read that in the papers as admitting one thing or the other. What's the central bank say?

MR. RIVKIN: They don't say that, your Honor, and I think –

THE COURT: Maybe I'm making up a problem that doesn't exist. If so, I'm very sorry.

MR. RIVKIN: I believe, your Honor, it's not a problem that exists. To make it clear, the restricted reserves are the amount they need to match the amount of pesos in circulation. That is the monetary function of the central bank. That's an ordinary central bank function. That's a calculable amount. You can calculate that amount.

Everything in excess of the value of those pesos in circulation was defined by the decree we were looking at as the unrestricted reserves. And nowhere in Argentina's or the central bank's papers to you did they argue that this $100 million of the Fed is necessary to be part of the unrestricted reserves. So that's answer number one.

THE COURT: It may be so, but what they're arguing is that the reserves never became the property of the Republic. And it seems to me, although my hypothet may be a little far afield of what people have talked about, in my own mind – and maybe it's misguided, but in my own mind it seems to me to – it causes me some considerable caution in saying that there is something called the unrestricted reserves which has suddenly changed hands.

MR. RIVKIN: Your Honor, let me –

THE COURT: As far as property is concerned.

MR. RIVKIN: I understand. Let me make two points in

response which I think should answer your concern.
In addition to the fact that this is not a – this was not part of their declaration, so I think they didn't say it, but the fact is, look at the chronology of the events. On December 15 the government said: Those unrestricted reserves, everything in excess of the amount of pesos in circulation, those unrestricted reserves are ours. That was true on December 15. That was true at the central bank where –
THE COURT: The date of the first one?
MR. RIVKIN: Yes. That was true at central bank's funds wherever they were held anywhere in the world.
On December 30 we received an – we obtained an order of attachment and served it on the Fed. On December 30 – there's no question that if they had chosen to pay the IMF on December 29, they could have paid the IMF out of this $105 million that was at the Fed. They could have. They hadn't.
On December 30 we put an order of attachment on.
THE COURT: When did they pay the IMF?
MR. RIVKIN: They paid the IMF on January 3rd out of other funds. That's why I know they made a big point about how we didn't wait to see you. You weren't around that week, we knew they would make the payment any day. We had to serve the order of attachment before they made the payment. Once we served the order of attachment, those funds became ours.
The other way you could be become comfortable, if

those arguments don't make you feel comfortable, is that the amount of the central bank's reserves, total reserves, restricted and unrestricted, is a matter that could be subject to discovery along with the amount that is restricted, because the value of pesos in circulation are certainly clear. And so it would be very easy to make you comfortable that by continuing the attachment and then agreeing for us to execute on the attachment, it's not going to dent the amount of the restricted reserves.

THE COURT: Look, aside from some supertechnical question of property law, which I think frankly a person could argue about either way, your argument is certainly a perfectly good argument. If somebody becomes entitled to direct the usage of money, that's a pretty good indication of property right. It's not a bad argument at all.

But it's not a bad argument for the central bank and the Republic to say that merely because of those decrees the property situation, the title situation didn't change, it's simply the Republic has always had the right to issue certain directions to the central bank and so nothing changed.

In other words, a technical property argument it seems to me both sides have things that you can say. But the one thing that it seems to me, getting past that, is from a practical standpoint you have got central bank functions, and the central bank functions, which are actually pretty well

listed in an affidavit from the Federal Reserve Bank just saying what are typical central bank functions, and the bank's own papers, those functions, with respect to the money on deposit at the Federal Reserve, were going on, as far as I know, prior to the time of the first decree, after the first decree, after the payment to the IMF, and the whole exercise of working out this stipulation was undertaken because of the necessity to keep the central bank functions going.

So to me that is pretty obvious, plain-in-the-face practical fact, and I think that that is of considerable importance, despite the fact that two reasonable people could come to completely different conclusions if you're just looking to some question of property or title. And I find it very difficult to get around the fact that the central bank functions was going on. And what do you say about that?

MR. RIVKIN: Your Honor, I have a few responses to that. First of all, if this was an ordinary central bank function, then they wouldn't have needed the first decree. Why did they need to appropriate that amount of unrestricted reserves and say: Central Bank, you may have been holding that money and you may have thought it was yours, but now it's ours and we are going to instruct you to pay the IMF with that amount.

THE COURT: It may not really mean it is ours, in a sense, it may mean - well, it means what it means. It means

that, to me, one very good interpretation is that they're saying that, among the other central bank functions that can be performed, is payment to international lending agencies, but it doesn't say that the whole central bank function is to be set aside.

MR. RIVKIN: No, we're not saying the central bank function should be set aside, we're saying that they needed that first decree because the money and the function wasn't there otherwise. And your Honor, I think Argentina would be very hard pressed to say that nothing changed by the decree. Because if they were to say that, they would have to admit that they had the right to make payments to creditors, whether to the IMF or anybody else, out of the central bank money before the decree. And if they were to tell you that today, your Honor, that would be in direct contradiction to what they told you last February and March when we raised an issue about the central bank clause.

THE COURT: I agree with you, but the question is: What changed and how much of a change was there? That's the issue before me.

MR. RIVKIN: Clearly they did not believe – if they believed that the money that the central bank was holding in the United States before the decree was Argentina's, then they would have been in violation of your order not to move any of Argentina's funds out of the country by moving $2 billion out

of the country just since last spring. Those are admitted facts by Argentina. So if Argentina believed that the money held by the central bank was its own, and therefore –

THE COURT: That doesn't help.

MR. RIVKIN: It goes to the –

THE COURT: They don't contend the money has always belonged to the Republic of Argentina, they have done exactly the opposite.

MR. RIVKIN: That's right, it was changed by the decree. So what the decree did was appropriate that central bank money to Argentina, and that's why we had a right to attach it.

THE COURT: Listen, I think I have got your argument. Anybody else at your table want to add anything? Then we'll go to the defense.

MR. RIVKIN: Thank you, your Honor.

THE COURT: Thank you.

MR. COHEN: Your Honor, Robert Cohen for NML.

I would like to take a minute to show your Honor why I think there is in fact a waiver, a specific waiver in the governing documents as to the very assets we're talking about here. And I should start with the Foreign Sovereignty Immunities Act.

In Section 1611 of the Foreign Sovereign Immunities Act it's provided that the property of a central bank or

monetary authority held for its own account is immune unless such bank or authority or its parent foreign government has explicitly waived its immunity.

Now I would like to take your Honor to the place in the documents where that immunity is waived.

THE COURT: Where are you reading from?

MR. COHEN: I was reading from Section 1611 of the Foreign Sovereign Immunities Act at Section (b)(1).

THE COURT: I have it. And I just somehow my eye didn't get to the right place.

MR. COHEN: It's Section (b)(1), your Honor.

THE COURT: Okay. And just go over that again.

MR. COHEN: It says that notwithstanding the limitations in Section 1610 which immunizes certain assets, it says in (b)(1) that the central bank assets in effect –

THE COURT: What's the exact language?

MR. COHEN: The property – I'm reading from 1611(b)(1), the property is that of a foreign central bank.

THE COURT: Well, the property of a foreign state shall be immune from attachment and from execution if; am I right?

MR. COHEN: That's correct. If the property is of a foreign central bank or monetary authority held for its own account, unless such bank or authority or its parent foreign government has explicitly waived its immunity from attachment

or from execution. So that says if in fact the parent government has waived it, it would be available for attachment and execution.

And your Honor, in my declaration in support of the ex-parte motion, Exhibit 19 is the declaration of Paul Singer from my client, and attached to that as Exhibit A is the fiscal agency agreement that governs our bonds. So that's Exhibit 19A, your Honor, and it's captioned fiscal agency agreement.

THE COURT: Okay.

MR. COHEN: And if you turn to the back, your Honor, there's a page in manuscript 52, it's also A18 in typescript.

THE COURT: Okay.

MR. COHEN: And the second paragraph begins: To the extent that the Republic or any of its revenues, assets or property shall be entitled, then talks about immunity, if you skip down to the underlined phrase down there, your Honor, it says: Immunity. The Republic has irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction and consents generally for the purposes of the Foreign Sovereign Immunities Act to the giving of any relief or the issuance in any process in any proceeding or related judgment. And here's the key phrase, your Honor, provided that such waiver, that's the waiver of the Republic's assets, immunity of the Republic's

assets, shall not be effective, one, with respect to the assets, and those are the waived assets, the government's assets, which constitute freely available reserves pursuant to Article VI of the convertibility law.

Now we have talked about freely available reserves, your Honor. That phrase, as used in this document, relates to the reserves necessary to support the monetary base. And what this is saying is there is no waiver with respect to reserves that are supporting the monetary base, but there is a waiver with respect to the other reserves that are reflected on the balance sheet and the accounting statement of Banco Central. That's the central bank.

What this says, your Honor, is that they have waived immunity with respect to the assets of the central bank other than those necessary to support the monetary base. And Mr. Rivkin has showed you that by decree they have freed up assets not necessary for use in the monetary base. So we believe there is a waiver that is effective and that our attachments reach those assets.

THE COURT: Well, go back to the let's look at that long paragraph just a little more. Can you paraphrase the very beginning part? I'll have to confess to you I haven't focused so much on this waiver point. I apologize for that, but that's the fact of life, so help me out.

MR. COHEN: I'll try, and I note very similar language

appears in the terms and conditions of the bonds.

THE COURT: Why don't you paraphrase that first part of that long paragraph.

MR. COHEN: What it says is that Argentina, to the extent it is entitled to immunities in any jurisdiction, in which a specified court, and I don't think there's any dispute that this Court is a specified Court, over any of its assets the extent that –

THE COURT: Doesn't talk about immunity, it talks about –

MR. COHEN: To the extent assets are entitled to, then it has where it might be entitled to something.

THE COURT: Well, it talks about in any jurisdiction where any specified court is located in which any related proceeding may at any time be brought against it, or in any jurisdiction in which any specified court or other court is located in which any suit, action or proceeding may at any time be brought for the purpose of enforcing or executing any related judgment.

I see what you mean. You're entitled to immunity from suit in the jurisdiction of such court from attachment prior to judgment, from attachment in aid or execution of judgment, from execution of a judgment or any other legal or judicial process or remedy.

And to the extent that there would be normally

immunity, the Republic has irrevocably agreed and waived such immunity to the fullest extent permitted by the law. So what you're saying is there is specific reference here to possible immunity from attachment from execution, and you're saying that what this instrument does is to waive the sovereign immunity, waive immunity except what's provided in the exceptions down here.

MR. COHEN: That's exactly right. Shall not be effective with respect to reserves that affect the monetary base, other reserves are specifically waived. We think that's the intended and only reading of that provision.

THE COURT: Let's go down with respect to the assets which constitute freely available reserves pursuant to Article VI of the convertibility law. Is that an Argentine law?

MR. COHEN: That's an Argentine law, your Honor, and there's a declaration attached to Mr. Hranitzky's declaration from the Argentine lawyer who was involved in the preparation of the convertibility law. And that declaration confirms that the term freely available reserves as used in this document was intended to mean reserves supporting the monetary base.

Coincidentally, your Honor, that same phrase is used in the later law to mean just the reverse. In the decree in 2005 they used the phrase freely available reserves to mean not the reserves needed to support the monetary base but the reserves in excess. We don't think that was accidental, your

Honor, we think that was intended to confuse the issue and try to suggest that the now-called freely available reserves, the reserves not needed to support the monetary base were somehow covered by this limitation. And the declaration of Mr. Liendo makes that very clear that the phrase freely available reserves as used in this document meant the reserves supporting the monetary base.

As we have heard from Mr. Rivkin, it was –

THE COURT: Well, it says -- I mean this is a translation, of course, I guess all the originals of all these are in Spanish, but the language in the first decree is unrestricted reserves, so it isn't exactly -- at least the English isn't exactly what is here.

MR. COHEN: Right.

THE COURT: Now if there has been a waiver, what's the effect of all that?

MR. COHEN: Your Honor, it's our view that the waiver entitles judgment creditors and those who are entitled to attachment to reach those assets, if there's a specific waiver in the jurisdiction over which the waiver applies. And this waiver applies to assets in New York. NML has a judgment, we have a motion pending, we hope we'll have judgment soon, but we think that we're entitled to prejudgment attachment, and the waiver specifically covers attachments prior to judgment. So we think we're entitled to attach assets in New York that fit

the characteristic of being held at the central bank but not supporting the monetary base, and we know from the decree that they have freed up $15 billion not needed to support –

THE COURT: Whatever the amount is.

MR. COHEN: Correct.

MR. RIVKIN: Your Honor –

THE COURT: What about the – what is this, when it says assets, whose assets?

MR. COHEN: We think that means the assets of the Republic, your Honor, and we think that what this also confirms is that they intended the assets held by the central bank to be deemed Argentina's assets, otherwise the phrase "the assets" wouldn't have any meaning.

Argentina is waiving immunity to its assets, it talks about the assets at the central bank, and it waives as to some of them. We think we have attached that portion that they have waived. So while we have heard a lot of argument about the distinction about whose assets are they, Banco Central's independently or do they belong to Argentina, we think the fair reading of this waiver is that Argentina considered the central bank assets its to waive, and that is why we think they moved those assets out of New York because they knew that this argument was available.

THE COURT: Okay. Anybody else on the plaintiff's side?

Who wants to speak on defense?

MR. BLACKMAN: Your Honor, I was not planning on taking the floor because the attachment as to the Republic as opposed to Central Bank is really gone, but I am going to take it because what Mr. Cohen just said is so radically wrong as to almost be beyond belief. And he's talking –

THE COURT: Mr. Cohen, you're beyond belief.

MR. BLACKMAN: And the reason I say that, your Honor, and I try not to indulge in hyperbole, is this is the Republic's waiver and the Republic's bond. It's not a waiver of the central bank's immunity, it's a waiver of the –

THE COURT: Mr. Cohen recognized that issue. What he said is this waiver would be meaningless if it did not apply to funds in the central bank, and obviously the Republic and the central bank are not completely divorced entities.

MR. BLACKMAN: Yes, your Honor, but let me make a couple of points. Mr. Cohen read from the general form of the bond, if I could direct your attention to, I believe it's –

THE COURT: He's reading from one of these fiscal agency agreements.

MR. BLACKMAN: But if you look at the terms of the bond that his client bought, which I think is Exhibit 17 to his declaration, it says something that's very important. What it says is, in that language that provided that clause that he talked about, it makes much clearer what the intent is, and the

intent is –

THE COURT: Where are you reading? Is that an exhibit before me?

MR. BLACKMAN: Yes, page A13, Exhibit 17– I'm sorry, page A13 of Exhibit 17 of Mr. Cohen's declaration.

THE COURT: Exhibit 17. Where in the Exhibit 17?

MR. BLACKMAN: In the last paragraph, which is comes from the form language that Mr. Cohen was reading to you, it says and the Republic, to the extent the Republic is entitled to immunity, it waives its immunity to the fullest extent permitted by law, then about five lines up from the bottom, provided that attachment prior to judgment or attachment in aid of execution shall not be ordered by the Republic's courts with respect to assets which constitute freely available reserves.

Now why is that there? The reason it's there is explained in Mr. Molina's declaration, which I urge your Honor to read, and Mr. Molina's declaration – and he is involved with Mr. Liendo in preparing these bond terms in 1994, he says that the reason we have this here, and discussed in paragraphs seven and eight, Mr. Liendo and others insisted on putting this in because they wanted to eliminate any possibility that an Argentine court may view the Republic's waiver as somehow implicating BCRA's reserves. And the purpose of this clause is to say that any such inference would be erroneous. The exception from the Republic's waiver therefore refers

specifically to attachment or execution by the Republic's courts.

But they didn't want to have Argentine courts think that a waiver of the Republic's immunity somehow affected the reserves of the central bank. This provision has no application whatever in the United States or under the FSIA where it is clear under Section 1611(b)(1) that a waiver of central bank immunity, as opposed to the Republic's immunity, which was covered by Section 1610(a), the waiver of the central bank's immunity must be explicit either by the central bank itself or explicitly by the Republic on behalf of the central bank.

Well, there's no piece of paper in which the Republic says I hereby waive the central bank's immunity. There is certainly no piece of paper by the central bank that says we waive our immunity. And this exception to the Republic's waiver is purely for Argentine legal, and as the declaration says, to some extent political purposes to make it clear that when Argentina was waiving its immunity it was not an Argentine court's intending to waive their immunity.

It's an issue that doesn't arise in the US because under the FSIA no one but Mr. Cohen today would ever suggest that a waiver by the Republic was a specific waiver of the immunity of the central bank. And if he thought that was true, your Honor, he would have been in this Court years ago. This

clause is in his box. Even these folks, who are constantly, quote, discovering new things and running in, certainly know the terms of their bonds.

Under his theory, as he enunciated to you, which has nothing whatever to do with the decree of December 15, he says all the reserves of the central bank were at all times, or at least the freely available reserves, were somehow available for execution.

THE COURT: No, no, no, I don't agree with that. I think that what we call the first decree is quite important to Mr. Cohen's argument, because it expressly states that there are reserves that are not necessary to back the currency. Right, Mr. Cohen?

MR. COHEN: Yes, your Honor.

THE COURT: So let's not waste time. He is relying on that decree and saying that's a new development.

MR. BLACKMAN: He is, but his Argentine law argument, because the whole point of the discussion is about this clause that refers only to the Argentine courts, up until the December 15 decree, all reserves, as set forth in Mr. Ribaso's declaration, were freely available. So it can't be the case –

THE COURT: Well, apparently we have got somewhat of a problem with interpretation about what is meant by freely available. I thought that prior to the first decree all the assets in the central bank belonging to Argentina had to be

preserved there for the currency.
MR. BLACKMAN: That's right.
THE COURT: So --
MR. BLACKMAN: Even if they were higher than the monetary base.
THE COURT: They had to be preserved for the currency, and maybe that's a little confusing in terms of this wording freely available, but I think that that piece of confusion we can get by and we understand that all those reserves were preserved for the currency. And that was indeed changed, whether it's a big change or little change, that was some change by that first decree.
MR. BLACKMAN: I don't deny there was that change, but I don't think that change affects his argument, which is when these bonds were issued years and years and years ago, somehow this was a waiver of the central bank's immunity. It wasn't.
THE COURT: The bulk of the central bank's assets are where, in Argentina or in foreign banks?
MR. BLACKMAN: I'll turn the floor over to Mr. Neuhaus, but my understanding is the bulk of the central bank's foreign currency reserves by definition have to be somewhere else, are all over the world; a large number of them at the BIS, as the Court heard last February, and other places as well.
Before I turn the floor over to Mr. Neuhaus –

THE COURT: Then why is it so significant to do what you talk about as occurring in the bond, and that is make it clear that the reserves in Argentina are not involved in any waiver? Why was that so important if all the reserves were in foreign countries?

MR. BLACKMAN: Because there are some reserves in Argentina, and the concern was that Argentina was waiving its immunity and wanted to make it clear to whatever Argentine read this this was not going to affect the inviolability in Argentina of the reserves.

THE COURT: Where does it say in Argentina?

MR. BLACKMAN: That's what this clause that I read on page A13 of Exhibit 17 says. It says attachment shall not be ordered by the Republic's courts. It only deals with as actually enacted as opposed to in the form.

THE COURT: Beginning with the word provided that?

MR. BLACKMAN: Yeah, three lines down, as ordered in the Republic's courts.

THE COURT: What comes before provided?

MR. BLACKMAN: That is the same type of language, that the Republic waiving its immunity to the fullest extent permitted by law.

THE COURT: Just a minute, please. That's comparable to the provided for clause in the fiscal agreement.

MR. BLACKMAN: With the exception of this language

ordered by the Republic's courts.

THE COURT: But you have got a waiver and then you have got a qualification of the waiver.

MR. BLACKMAN: Correct.

THE COURT: And the qualification to the waiver, let me read that, in the bond.

Well, it's odd, you certainly have a much more limited qualification there, you can say that because the bond does say there will be no attachment ordered by a Republic Court, and the limitation of the Republic Court is not in the fiscal agency agreement. So what controls?

MR. BLACKMAN: I think clearly the terms of the bond control over the form of the bond in the fiscal agency agreement. But the point really is, your Honor, is this is a red herring.

THE COURT: Please, I don't think it's a red herring. I think that you may be right and Mr. Cohen may be right. It seems to me that the ultimate question is how you interpret, how you apply 1611.

MR. BLACKMAN: That's right.

THE COURT: Which requires an expressed waiver by the bank or for the bank.

MR. BLACKMAN: Correct. And we don't believe this does that.

And I'll add one more 1611 point then I'll sit down,

which is that it is absolutely clear, held by Judge Sweet and every other Court that considered it, that 1611(b)(1) only applies, as its language indicates, to post-judgement execution. A foreign central bank even explicitly can't waive its immunity to prejudgment attachment. So Mr. Cohen loses just on that point; not, admittedly, Mr. Rivkin, whose client does have a judgment.

The case law under 1611, the Court is exactly right, says that you have to have an explicit waiver by the central bank. And I don't think that the Court could find that the language that we are reading is an explicit waiver of the central bank's immunity. If it is slightly confusing, whatever it is, it's not an explicit waiver.

And I turn the floor over.

THE COURT: Let me ask you this: Is there anything, or is this just my own dream, is there anything to the issue about how to identify what has been freed up and what hasn't?

I don't think anybody brought it up, and I brought it up because it just occurred to me sitting here, but maybe there's nothing to that issue. But if we're talking about specific legal rules that apply to these assets that are now called unrestricted reserves. If you go to the Federal Reserve Bank, you don't find such a designation, whether it's restricted or unrestricted. And I guess nobody raised that, but it does occur to me that maybe it's at least a little

problem.

MR. BLACKMAN: I think it's a great problem, and I just say briefly that what is clear on this record is that there was no intention to use the money at the Fed for this payment for the IMF, nor was it used. And that money, as the Court noted, has been used, the amount has obviously ebbed and flowed over the years for central banking activities, buying and selling currencies, receiving reserve deposits of Argentine banks. And the Fed has no way of knowing, because under this authorizing legislation, the central bank was unable to use certain portion of its reserves to pay the government debt to the IMF, which is itself a classic central banking function because the central bank is the banker to the state.

The Fed has no way of knowing that. All it knows is that this account is, as the Fed explained in its declaration, reserves of the central bank. The Fed treats them as reserves of the central bank. They have been used consistently for central banking purposes. And under Section 1611(b)(1), that is what property of a foreign central bank held for its own account means, means assets used for central banking. These assets that have been attached, which is what is in New York, the only thing that can be attached have been used for central banking, if unfrozen will continue to be used for central banking.

THE COURT: Let me ask you, I imagine that everybody

here has some experience in this kind of litigation, have you ever seen any kind of situation where there was an explicit waiver with regard to the assets lodged in a central bank? Have you ever heard of such an instance?

MR. BLACKMAN: Mr. Neuhaus read the cases more recently than I have. In the cases in the Southern District, most of them find there is not a waiver and most of them protect, if not all.

THE COURT: Have you have had experience in transactions? The thing is that there is a requirement of an explicit waiver, but I suppose if some bond agreement were negotiated and there was a desire to provide some security or a remedy, I suppose what could be done, in addition to waiving the sovereign immunity and allowing suit, I suppose it could be that there could be an explicit waiver with regard to assets in a central bank account.

And it seems to me that if that is done, it should be quite clear the type of assets covered should be defined, and it could be that some bond, some people interested in buying bonds might demand that and the government might grant it. But it seems to me that it's a little difficult to see how there is an explicit waiver, and I must say that I think that it contributes to the problem that there's no definition of that kind of asset at the bank.

Let's hear from Mr. Neuhaus.

MR. NEUHAUS: On that last point, your Honor, I believe the cases do show – have examples of expressed central bank waivers of immunity. And I'm afraid I'm working from memory here, and I hadn't put this in mind, but I believe the Weltover case, a Supreme Court case, involved a central bank that had given expressed waiver of immunity sometimes in other situations, and it may be true for other cases as well. So I think you can find examples in the case law of central bank waivers of immunity.

THE COURT: You can or cannot?

MR. NEUHAUS: You absolutely can. If, for example, the central bank guarantees the bonds, and as a condition of this guarantee the central bank may waive its immunity. So it does exist in the law. I don't – I'm not certain of Weltover, but I think so, as I recall the case.

THE COURT: What do you have to add?

MR. NEUHAUS: I think the two points that I raised in discussion with Mr. Rivkin are of paramount importance. One is the difficulty of attaching, administering the system that Mr. Rivkin envisions with his view of how to determine what is attachable; and the other is the central bank functions, which are of paramount importance of protecting central bank functions, which is what Section 1611 is all about.

Briefly, because you already talked about this on the first point, it is an absolutely a real life concern how a

garnishee like the Fed could possibly know when a garnishment comes in, a restraining notice comes in, what is being – how much of the reserves the central bank has around the world. They know what they have in their account, but they have to know how much they have around the world at that very moment, then they have to know how big is the monetary base. That monetary base is all the pesos in circulation in Argentina plus amounts in certain special accounts. That's the definition under the law. So you have to have all these little pieces. There's no way the Fed could know about that, no way one bank could know about that.

Then you do this calculation. In Mr. Rivkin's world the numerator is the amount used for the monetary base, the denominator is the entire reserves, and you get a percentage. And he says you take that percentage and look at what's in the Fed, $105 million, and say okay, this money is freely convertible. That's not how garnishment works. That's not how attachment works in New York law.

In New York law you can only attach what is here. And as your Honor knows, the separate entity doctrine, you only attach what is in that very branch. The branches don't even have to call around to the branch in the next borough to find out whether there's been a -- whether a check is coming in or anything like that.

And certainly if you serve a restraining notice on the

branch in New York, you won't restrain that bank's other branch somewhere else. And it's all because branches aren't supposed to have to go and find out all that information in order to administer a restraining notice.

If that's New York law on attachments, and it is, there's no way this can be consistent with New York law. This is an incredibly complicated system. Plus it's a very intrusive system and a system that would require the Fed or this Court or Mr. Rivkin to demand from the Central Bank of Argentina or the central bank of any other country this very detailed information. And it's exactly that purpose that Congress had in mind when it enacted the central bank exemption, the purpose being the disruption of the foreign relations of attaching central bank reserves.

If I could move then to the question of what is the exemption meaning, the central bank exemption means – the central bank exemption has been universally interpreted by every court to mean it is the property at issue held for its own account, means is the property at issue being used for central bank functions.

And as the Fed tells you in their declaration, one classic central bank function is representing the sovereign in dealings with other central banks and international monetary organizations; it's also receipt of deposits from international organizations. Those are central bank functions.

And so this money that they say was suddenly somehow treated differently and made available to be paid to the IMF, according to their theory, that use of that money is a classic central banking function.

THE COURT: When you say classic central bank, versus commercial?

MR. NEUHAUS: Versus another function.

THE COURT: Does the commercial exception, if you want to call it that, is that relevant to 1611? I think you said it's not.

MR. NEUHAUS: It's not.

THE COURT: Maybe it is not in your brief.

MR. NEUHAUS: It is not. And there are cases that say this, all of the presumption in a sense is that any assets that are subject to that exception are subject to attachment and therefore must be used for commercial purposes.

THE COURT: But if you consider the property as property belonging to the Republic, then you have to get into the question of whether repaying or paying the debt to the IMF is commercial activity; don't you have to do that?

MR. NEUHAUS: If you are ignoring entirely the central bank and treating it as a property of the Republic, but I think that you have to accept that the central bank exception applies sort of prima facie to anything that the central bank has.

Let me go back a step, because I think this whole

property question is not at the center of the inquiry. At the center of the inquiry is you have funds that are in the central bank that refers you to the central bank exception, then you ask: Are those funds being used for central bank purposes or for some other purpose?

One other purpose that the cases prescribe is one central bank, I think it was Peru, put $2 million in a big bank solely, the word solely is very important, for the purpose of securing borrowing by commercial banks. That, the court ruled, was not a central banking function, that was just posting money to allow another – to allow a bank to borrow money which was a commercial transaction. And so that is not viewed as a central banking function.

Another thing that has been viewed as not a central banking function is when the bank simply has funds that are where it's acted as intermediary bank processing payments, those were viewed as not central banking functions. But the record here is absolutely undisputed, and the Fed is very clear, what we are dealing with here is a classic central bank.

THE COURT: I would like to draw this to a close. If the plaintiff's side wants to have a minute to reply, the two lawyers, I will be happy to hear you, then I'm going to make a ruling.

MR. RIVKIN: Your Honor, very quickly. First of all, there is no – we don't have to worry about administering a

system, as Mr. Neuhaus suggested. There's no complication here.

The fact is that the government of Argentina made available to itself the funds that the Fed held on December 30th when we served the writ of attachment. The decree purposely left open what funds would be used to pay the IMF. And there's no doubt that they could have used the funds in the Fed to pay the IMF, so that money was there at the time.

In any event, Mr. Neuhaus described – we're not talking about a system. This isn't a bankruptcy court where you have to worry about every debtor and creditor of Argentina.

We have our two creditors here, we have our rights, we have an attachment, and the fact that they find it inconvenient in some way is by no means a reason to deny us our rights.

Every time we're here you hear about how inconvenient it is for them. Well, your Honor, they owe us three-quarters of a billion dollars, and it will be inconvenient for them to pay it, but sooner or later they will have to pay it or we'll keep coming back for the remainder except for this 100 million.

But there's no doubt we could attach this hundred million and it's not going to impact Argentina or the central banking function.

It's interesting that they keep talking about the importance of sovereignty and central banks and so forth until it no longer serves their purpose, then they go into the

commercial realm and start using branch banking rules. The central bank doesn't have branches, it's a single, solitary unit.

And also it's not complicated. The amount necessary to support the monetary system in Argentina is surely a public number. It's a publicly recorded number in the United States, it's the M1 which you see reported in the newspaper all the time. This is not complicated, as Mr. Neuhaus tried to do.

Finally the whole argument about the central banking function falls, and 1611 falls apart once you look at the property issue. That's why Mr. Neuhaus tried to evade it. But the language of 1611(b)(1) specifically says that the property that is immune from attachment is the property of a foreign central bank or monetary authority held for its own account.

There is no question that the amount of money, the unrestricted reserves that Argentina appropriated to itself in the first decree is not being held by the central bank for its own account. And therefore, all of the central bank immunity questions which Mr. Neuhaus raised fall apart.

In any event, this was a commercial – this is property of Argentina being used for a commercial purpose to repay a sovereign debt, and just like the debt that is owed to us; and we properly attached it and we hope that you will protect our rights by allowing us that attachment. And at the very least, as I said, to the extent that any ruling is based

on issues of fact that are verifiable, there ought to be more discovery.

But moreover, one last point, the stipulation which was negotiated over the weekend last weekend and entered into at the beginning of this week takes away any argument they have on prejudice. They have not argued prejudice in their briefs. Take a look at the briefs, they don't argue prejudice of this going forward. There is a way for them to maintain the central bank functions while keeping 95 percent of the 105 million that had been attached in place.

And finally, I found it amusing when Mr. Blackman talked about the ebb and flow of central bank money. They have clearly taken $2 billion out of the country, and if –

THE COURT: What about that?

MR. RIVKIN: Well –

THE COURT: Was there a balance in?

MR. RIVKIN: Last February when we were here arguing to you that they had acted improperly since your order by taking – you ordered them not to remove any assets from the country, we found a press report that showed that they had removed money from the US to the BIS, Bank for International Settlements in Switzerland. We raised that issue with you, Mr. Blackman argued up and down that this was a central bank, it was independent, it could never be dealt – he specifically said you could never use the central bank money to pay off

debts, which as we know now is not true.

And at that time Mr. Pablo Bosco put in a declaration, the same declaration which was submitted to you now, which said that at that time they had more than $2 billion in the central bank accounts in the United States.

And we know now that on December 30th when we served the order of attachment they only had $135 million. So we know that's not an ebb and flow, your Honor, that is taking money out of the country to take it out of the reach of creditors like ourselves, to take it out of your jurisdiction, despite your order to Argentina not to do so. And we have this $100 million now and we should be entitled to collect it and find other Argentine assets in this country or elsewhere to collect the rest of our debt.

Thank you, your Honor

MR. BLACKMAN: Could I respond for two seconds to that, your Honor?

THE COURT: All right.

MR. BLACKMAN: When were back here in February of 2005 we pointed out the central bank was not – didn't have counsel because it hadn't had anyone try to seize its assets at that point, that the central bank was not the Republic and the central bank was not subject to a claim or a judgment or a restraint or anything else, and therefore operated its reserves as it saw fit.

Mr. Bosco's declaration, which was filed in February of 2005, spoke to the situation as it existed between 2000 and 2002 because the article that they discovered, which had been published a year earlier, said that during that period of 2000 to 2002 the central bank had removed certain assets from New York, which was true, and sent them to the Bank for International Settlements, which was true, and as of, therefore, the end of 2002, there was a certain sum in New York.

And as we pointed out in our reply papers filed this morning to extrapolate from that, because the sum was $100 million three years later, there was something untruthful about Mr. Bosco testifying in early 2005 about the state of affairs at the end of 2002 is really not only a non-sequitur but a huge and misleading stretch. So I think that I had to say that because it's just not accurate.

MR. RIVKIN: Your Honor, we know that in 2003 you ordered Argentina not to remove any assets from the country, and we know that in February of 2003 Mr. Bosco declared in paragraph 17 – sorry, February 2005, he stated in his declaration first that the bank's liquid international reserves were $8.2 billion in January 2003, and that then in paragraph 17 that BCRA continued to maintain approximately one-third of its total liquid international reserves in New York. So that's more than $2 billion, and he so stated in February 2000.

THE COURT: What was the purpose of that affidavit? What did it relate to?

MR. RIVKIN: It related to our argument that we should be entitled to the discovery into central bank's activities because Argentina admitted to transferring billions of dollars out of the country, which we thought was in violation of your order in 2003.

THE COURT: Did you get discovery?

MR. RIVKIN: All the discovery we got was this declaration, and that was it, and so we have never – we have not been able to take more.

MR. BLACKMAN: Your Honor, this was submitted in response to your Honor's direction at the hearing, which I remember very well, which you said I don't think this should be complicated, give them some information about the movements of the central bank's reserves. That's what we're talking about, give them some information about the period of this article which was the period of 2000 to 2002.

And what Mr. Bosco is saying in this paragraph is describing what happened in that period. He said the deposits to BIS grew during this period and totalled approximately 6.1 billion year end 2002, however, BCI continued at that time, 2002, to maintain approximately one-third of its total liquid international reserves in New York.

THE COURT: Why is he saying that except to assure me

there was some huge amount of money there?
MR. BLACKMAN: He was answering your question that was limited.
THE COURT: I wasn't asking it just to be curious about how much money is in various accounts at the Fed, I guess I was asking it because I was wondering if there would be some movement which would prejudice the legitimate rights of these plaintiffs.
MR. BLACKMAN: Their question dealt with a period of two years, that's what he responded to. If you asked him for what would happen in 2003 --
THE COURT: I'm getting two different answers. He gave a declaration dated what?
MR. BLACKMAN: His declaration is dated March 14, 2005, and it speaks to a question raised about what happened.
THE COURT: Did he say what the balance was in the Fed as of March 2005?
MR. BLACKMAN: No, he did not.
THE COURT: No?
MR. BLACKMAN: No, he was not asked that question and he did not say that answer. If you asked it, he would have given the answer. Their discovery was totally directed. I hate to go back into history here. They were claiming during the period when there was a stay of decision, which ended in 2003, that ended in 2003, they claim that the Republic had

moved assets. We said: And what was their proof the central bank had moved reserves? We said: First of all, the central bank is not the Republic, it's not subject to a judgement, is not subject to a restraint, which is true. Then went on to say, in answer to your Honor's direction, tell them what happened to the central bank reserves in New York during that period, and Mr. Bosco told you.

It all was directed to their claim that money had been moved during the period of these dates. It did not speak to the date of his declaration, which was three years later. And we're happy to provide the Court with that information, but it really is not fair for Mr. Rivkin, as he did for Judge Jones and now here, to suggest that this declaration in 2005, which was speaking to a question raised specifically about what happened during the period of the stay, which expired in 2003, was somehow misleading. He wasn't talking about what happened after the period of 2001 to 2002.

MR. RIVKIN: Very briefly, we asked for that information and we didn't get that. We got a very, very vague statement that you heard so Mr. Blackman can make the argument that he made now.

You said in the argument that led to the discovery where we asked for that information but instead got this discovery declaration, you said, your Honor, if those assets were not in any way answerable to these people, why were they

maneuvering to get them out? That was that concern and is still the concern. They have always been under the order not to remove assets from your reach.

THE COURT: What do you want to do about that?

MR. RIVKIN: That's past history. What I want to do, your Honor, is keep the $105 million that we have now attached and not lose benefit of that.

THE COURT: Let met put something on the record.

Part of the big picture to me is that we have lawsuits in this Court based on bonds and related agreements in which the Republic, in order to induce investors to buy the bonds, made very broad waivers of sovereign immunity, agreed to jurisdiction in this Court, and presumably that was supposed to mean something.

What has been demonstrated by these lawsuits is how little it means. The Republic has done everything possible to avoid the fruition of the lawsuits it agreed to have brought. The Republic at one point made arguments about the standing of these plaintiffs and then went up to the Court of Appeals and there was a remand. After the remand the issue dissolved completely because it was never a substantial issue.

The Republic has done everything possible to prevent the collection of these debts in these lawsuits. Of course there is an offer of an agreement to bond holders; if they will take a certain cut, they can have new bonds and so forth.

That's fine. But the Republic originally agreed to be sued. There's no question about the right of these plaintiffs, if they establish ownership of the bond, to get judgments.

Now the next question is: Can there be any recovery on the judgments? So far it looks as if it is virtually hopeless. There's not a whimper of an idea that the Republic might pay the judgments which they really should pay. There was an absolute agreement permitting suit and it was certainly implicit that those lawsuits would be handled in a way that, if the lawsuits were valid, which they are, it was implicit that there could be collection, and the Republic is doing everything possible to frustrate that.

Now when I say everything possible, the Republic is represented by very good lawyers and very honorable lawyers who are representing their clients. The Republic has a right to raise all legal defenses. But what it illustrates is that these lawsuits may ultimately be illusory. The agreement for jurisdiction and to waive sovereign immunity may be ultimately totally illusory. And that's quite unfortunate.

Now the issue before us tonight is about the attachments and the restraint. What has happened is the plaintiffs in these lawsuits have had to resort to some quite unusual attempts to get property to either secure their prospective judgments or to apply to the judgments, and so far these efforts have not borne any real fruit because there

aren't attachable or executable assets around available. And again, the Republic is not breathing one ounce of breath indicating it will ever pay these judgments. We're told: Well, why couldn't these plaintiffs go and accept the big cut that we're offering to volunteers? Well, these plaintiffs don't have to do that.

Now on the immediate issue, I regret to say that I do not think that the attachment can stand. And I very much regret that because it simply illustrates the fact that despite all this high sounding waiver of sovereign immunity and so forth in connection with the bonds, when it comes down to it, so far it's an illusion, and I regret that. And maybe people who might consider lending money to the Republic of Argentina in the future might realize what difficulties they're going to run into if they are naive enough to rely on what the Republic offers.

But the law is the law, and what we have here is an attachment and a restraint relating to $105 million deposited by the Central Bank of Argentina in the Federal Reserve Bank in New York City. I will not try to give any ruling that will attempt to quote language of decrees, language of cases and so forth. This is going to be a brief, basic ruling. And you all know the background and you know what is referred to, and if there's an appeal, which there may be, you will know exactly what I'm referring to and certainly will brief the Court of

Appeals much more than the form in which I am speaking tonight.

But essentially the situation is that there was a decree of the Republic which – this was in December 2005, there was a decree which made a change with respect to the status of the assets of the Central Bank of Argentina. It is conceded that prior to that decree the property or the assets, the funds in the Central Bank of Argentina were the property of the central bank. Of course the Republic had a good deal of control, to say the least, but as far as property rights, the property, the funds were the property of the central bank.

The existing rules and regulations were that 100 percent of those funds were to be devoted to backing up the Argentinian currency. The decree of December basically said that there are funds which are not needed to back the currency, and it defined those unneeded funds, in the English translation, as unrestricted reserves. And the decree said the unrestricted reserves did not need to be held to back the currency, and that those unrestricted reserves could be used to pay obligations undertaken with international monetary authorities. And a later decree specifically said that about $9 billion in those reserves unrestricted would be used to pay an indebtedness of the Republic to the International Monetary Fund.

Now plaintiffs in these two cases before me contend that the first of these decrees had the effect of making the

unrestricted reserves the direct property of the Republic, and they say that since the reserves became the property of the Republic, they had a right to attach and restrain those assets of the Republic.

Now they have to show, in order to effectuate that attachment and that restraint, that this activity of repaying an international monetary institution, this would be a commercial activity. And they urge that the repayment of debt, even though it might be to the IMF, this is a commercial activity. That is their first argument.

Another argument is that the fiscal agency agreement underlying these bonds waived sovereign immunity with respect to what became the unrestricted reserves on deposit in the Central Bank of Argentina. So that's an alternative argument.

The arguments are reasonable, they are far from frivolous, but I see problems which cause me to say that even though the questions are somewhat close, the plaintiffs do not prevail.

As to the property argument, which I'll call it, you can argue both ways about whether there was a change in title to these unrestricted reserves, a change to the legal property status, and we could argue that until kingdom come and you can take rational views on both sides. But what is more important to me is that the activities of the central bank with respect to the so-called unrestricted reserves did not change with that

first decree, and surely they did not change ever, even after the payment to the International Monetary Fund, with respect to the 105 million in the Federal Reserve Bank or deposited with the Federal Reserve Bank.

So from a practical standpoint, in my view the title should be regarded as not changed. It doesn't mean that the Republic did not have some right after the first decree to call upon the central bank to pay the International Monetary Fund, but that ability does not mean that there was a literal change of property as of the time of the first decree. The Republic has always had an ability to give directions to the central bank in certain ways; that's why they were able to issue the first decree at all. So in my view, there should not be held to be some significant substantial change in the property right situation because of the first decree.

Now even if there was, we have the issue of whether the payment to the International Monetary Fund was a commercial activity. Again, there are reasonable arguments on both sides, but the weight, in my view, including the weight of the informed opinion that has been given me, is to the effect that this is not commercial activity. The payment of an obligation of the Republic of Argentina to a international lending agency, it seems to me, to be a governmental activity, a governmental financial activity and not a commercial activity. At least that's what I hold, although, as I say, there are certainly

reasonable, rational arguments on both sides of that.

Now there is a statute which specifically deals with the possibility of attachment and execution on a central bank. It's 28 USC Section 1611, and it provides that, notwithstanding Section 1610, the property of a foreign state shall be immune from attachment and execution if the property is that of a foreign central bank, unless such bank or its parent foreign government has explicitly waived its immunity from attachment in aid of execution or execution.

Now the evidence before me tips in favor of the idea, as I indicated, that the $105 million deposited by the Central Bank of Argentina in the Federal Reserve Bank in New York was, is, and continues to be the property of the central bank used for central banking functions, and thus the prohibition of Section 1611 on attaching those funds must apply. This is true unless there has been an explicit waiver.

Now the plaintiffs point to a provision which I won't try to quote because it's an enormously long paragraph, but it's a provision in the fiscal agency agreement entered into by the Republic of Argentina, which makes a very broad waiver of sovereign immunity, including a waiver as to attachments and other judicial process, except as to assets which are reserves backing the country's currency. These are not the exact words, but this is the meaning. Plaintiffs argue that this exception to the waiver of sovereign immunity must necessarily apply to

funds in the Central Bank of Argentina. They further argue that, since the exception only applies to reserves backing the currency, the exception does not apply to the reserves which became unrestricted as a result of the first decree. They assert that, by very clear implication, sovereign immunity has been waived as to the unrestricted reserves.

The problem is that our statute, Section 1611, requires an explicit waiver of immunity by the central bank for funds in a central bank, or by the parent foreign government with respect to the central bank. However, the waiver that is in the fiscal agency agreement is a waiver by the Republic. And I certainly don't want to make a kind of quibbling distinction, but it seems to me there is a distinction of substance between the kind of waiver that is in the fiscal agency agreement and the kind of waiver that is required under 1611. It seems to me that the waiver required under 1611 needs to be very, very explicitly either by the central bank or explicitly mentioning the central bank and explicitly saying what that waiver applies to. And we really don't have that here.

And it's very late, and I don't want to repeat all the discussion I went into about the problem of the funds at the Federal Reserve Bank, but if we're to consider the possibility of a waiver as to the unrestricted reserves, there is no delineation of unrestricted reserves at the Federal Reserve,

there are simply funds on deposit. And therefore, this contributes, in my view, to the problem which causes me to say that if there was to be a waiver as to the Central Bank of Argentina, it would need to be done expressly by the central bank or by the Republic explicitly naming the central bank. And it should be definite in terms of what the waiver applies to, with a definition that can be used effectively by the Federal Reserve in dealing with any attachment or restraint. There is no such thing here.

Consequently, I am granting the motion of the Central Bank of Argentina to set aside and terminate the attachment and the restraint. That motion is granted and motion to confirm the attachment is denied.

Where do we go from here?

MR. RIVKIN: Your Honor, may I make two short oral motions?

THE COURT: Yes.

MR. RIVKIN: We request your Honor to effect the stay of this order pending appeal. We know from their past actions and know from what they have said if this is not stayed, the $105 million will be out the jurisdiction very quickly.

We also know that in their papers, since the stipulation was entered into this week, they have not cited any prejudice to having the attachment in place. Since they are able to carry on the usual ebb and flow, as it was said, of the

central banking activities. The issues you've discussed, as you said, are difficult issues, we have good arguments. We believe those arguments would be made even stronger if we had the discovery that we asked for, but in any event, we would like to have a meaningful appeal, and if this order is not stayed pending that appeal, it will – it is likely we will not be able to have a meaningful appeal because the assets are not here.

THE COURT: I think all the questions that I have ruled on are imminently appealable, so I think that we should keep the stipulation in place pending the outcome of appeal.

Is there any objection that?

MR. NEUHAUS: Yes, we do have an objection. I think that the attachment should be vacated, and you've ruled on this. Obviously there's prejudice. Obviously a bank or central bank wants to be free and should be free to deal with its assets as it wishes.

THE COURT: Look, I'm going to grant the stay pending an appeal, and one reason I'm granting it is what I said at the outset.

MR. NEUHAUS: Fine.

THE COURT: And that's all there is to it.

MR. RIVKIN: Your Honor, the other – thank you very much for that. The other oral motion we would like to make is for a Section 129(2)(b) certification that there are legitimate

grounds of disagreement and controlling questions of law.

THE COURT: I will so certify.

MR. RIVKIN: As to both grounds of 129(2)(b) without my stating them on the record?

THE COURT: Sure.

MR. RIVKIN: Thank you, your Honor. We will send you an order to that effect tomorrow.

THE COURT: Why don't you – somebody better submit an order based on what I have ruled. Well, anyway I think there ought to be an order based on what I ruled, an order staying and an order granting the certification. You can all wrap it up in one order.

MR. RIVKIN: We'll work out an order.

THE COURT: Nobody's rights would be prejudiced. Thank you.

MR. RIVKIN: Thank you, your Honor.

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APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Date:

Docket Number: 06-0405-cv

Short Title: NML Capital, Ltd. v. The Republic of Argentina

DC Docket Number: 05-cv-2434

DC: SDNY (NEW YORK CITY)

DC Judge: Honorable Thomas Griesa

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 20th day of February, two thousand seven.

NML Capital, Ltd.,

Plaintiff-Appellant,

v.

The Republic of Argentina,

Defendant-Appellee.

UNITED STATES COURT OF APPEALS
FILED
FEB 20 2007
Thomas Asreen, Acting Clerk
SECOND CIRCUIT

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the Appellant NML Capital, Ltd. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED**.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

For the Court,

Thomas Asreen, Acting Clerk

By: /s/_____
Motion Staff Attorney

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Date:

Docket Number: 06-0406-cv

Short Title: NML Capital, Ltd. v. Rep. of Argentina

DC Docket Number: 03-cv-8845

DC: SDNY (NEW YORK CITY)

DC Judge: Honorable Thomas Griesa

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 22 day of February, two thousand seven.

UNITED STATES COURT OF APPEALS
FILED
FEB 22 2007
Thomas Asreen, Acting Clerk
SECOND CIRCUIT

NML Capital, Ltd. v. The Republic of Argentina 06-0406-cv

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant NML Capital, Ltd. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED**.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

For the Court,

Thomas Asreen, Acting Clerk

By: /s/
Motion Staff Attorney

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

UNITED STATES COURT OF APPEALS
FILED
FEB 27 2007
Thomas Asreen, Acting Clerk
SECOND CIRCUIT

Date:

Docket Number: 06-0403-cv

Short Title: EM Ltd. v. Rep. of Argentina

DC Docket Number: 03-cv-2507

DC: SDNY (NEW YORK CITY)

DC Judge: Honorable Thomas Griesa

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 27th day of February two thousand seven.

NML Capital, Ltd. v. The Republic of Argentina 06-0406-cv

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant NML Capital, Ltd. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED**.

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

For the Court,

Thomas Asreen, Acting Clerk

By: /s/

Motion Staff Attorney

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

MOTION INFORMATION STATEMENT

Docket Number(s): 06-0403-Civ; 06-0405-Civ; 06-0406-Civ

EM Ltd.

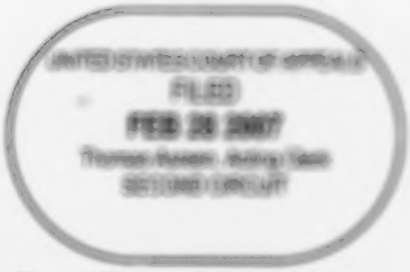
v.

The Republic of Argentina

NML Capital Ltd.

v.

The Republic of Argentina



Motion for: Stay the Mandate Pending Filing of Cert. Petition

Set forth below precise, complete statement of relief sought:
Appellants seek a stay of the mandate pending the filing of a petition for a writ of certiorari to the Supreme Court.

Moving Party: EM Ltd. and NML Capital Ltd., Plaintiff, Appellant/Petitioner

Opposing Party: The Republic of Argentina

Moving Attorney: David W. Rivkin, Esq.
Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
212-909-6000
dwrivkin@debevoise.com

Opposing Attorney: Jonathan Blackman, Esq.
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
212-225-2000
jblackman@cgsh.com

Court-Judge/Agency appealed from: Southern District of New York (Griesa, J.)

Has consent of opposing counsel: A. Been sought? No
B. Been obtained? No
Is oral argument requested? No
Has argument date of appeal been set? Yes
If yes, enter date: Appeal was heard on August 29, 2006

FOR EMERGENCY MOTIONS, MOTIONS FOR STAYS AND INJUNCTIONS PENDING APPEAL:
Has request for relief been made below? No
Requested return date and explanation of emergency: n/a

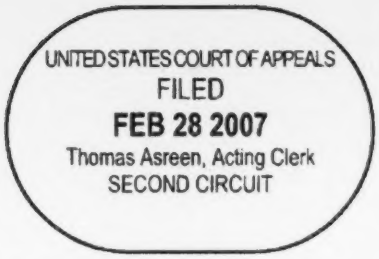
Signature of Moving Attorney:
/s/ Date: Feb. 26, 2007

Has service been effected? Yes

ORDER

Before: Hon. Ralph K. Winter, Hon. José A. Cabranes, Hon. Rosemary S. Pooler, *Circuit Judges*

IT IS HEREBY ORDERED that the motion to stay the mandate pending filing of certiorari petition is GRANTED.



FOR THE COURT:
THOMAS ASREEN, Acting Clerk
by

Date

/s/
Arthur M. Heller
Motion Staff Attorney

APPENDIX H

TITLE 28 – JUDICIARY AND JUDICIAL PROCEDURE

PART IV – JURISDICTION AND VENUE

CHAPTER 97 – JURISDICTIONAL IMMUNITIES OF FOREIGN STATES

Sec. 1609. Immunity from attachment and execution of property of a foreign state

Subject to existing international agreements to which the United States is a party at the time of enactment of this Act the property in the United States of a foreign state shall be immune from attachment arrest and execution except as provided in sections 1610 and 1611 of this chapter.

APPENDIX I

TITLE 28 – JUDICIARY AND JUDICIAL PROCEDURE

PART IV – JURISDICTION AND VENUE

CHAPTER 97 – JURISDICTIONAL IMMUNITIES OF FOREIGN STATES

Sec. 1610. Exceptions to the immunity from attachment or execution

(a) The property in the United States of a foreign state, as defined in section 1603(a) of this chapter, used for a commercial activity in the United States, shall not be immune from attachment in aid of execution, or from execution, upon a judgment entered by a court of the United States or of a State after the effective date of this Act, if –

(1) the foreign state has waived its immunity from attachment in aid of execution or from execution either explicitly or by implication, notwithstanding any withdrawal of the waiver the foreign state may purport to effect except in accordance with the terms of the waiver, or

(2) the property is or was used for the commercial activity upon which the claim is based, or

(3) the execution relates to a judgment establishing rights in property which has been taken in violation of international law or which has been exchanged for property taken in violation of international law, or

(4) the execution relates to a judgment establishing rights in property –

(A) which is acquired by succession or gift, or

(B) which is immovable and situated in the United States:

Provided, That such property is not used for purposes of maintaining a diplomatic or consular mission or the residence of the Chief of such mission, or

(5) the property consists of any contractual obligation or any proceeds from such a contractual obligation to indemnify or hold harmless the foreign state or its employees under a policy of automobile or other liability or casualty insurance covering the claim which merged into the judgment, or

(6) the judgment is based on an order confirming an arbitral award rendered against the foreign state, provided that attachment in aid of execution, or execution, would not be inconsistent with any provision in the arbitral agreement, or

(7) the judgment relates to a claim for which the foreign state is not immune under section 1605(a)(7), regardless of whether the property is or was involved with the act upon which the claim is based.

(b) In addition to subsection (a), any property in the United States of an agency or instrumentality of a foreign state engaged in commercial activity in the United States shall not be immune from attachment in aid of execution, or from execution, upon a judgment entered by a court of the United States or of a State after the effective date of this Act, if –

(1) the agency or instrumentality has waived its immunity from attachment in aid of execution or from execution either explicitly or implicitly, notwithstanding any withdrawal of the waiver the agency or instrumentality may purport to effect except in accordance with the terms of the waiver, or

(2) the judgment relates to a claim for which the agency or instrumentality is not immune by virtue of section 1605(a)(2), (3), (5), or (7), or 1605(b) of this chapter, regardless of whether the property is or was involved in the act upon which the claim is based.

(c) No attachment or execution referred to in subsections (a) and (b) of this section shall be permitted until the court has

ordered such attachment and execution after having determined that a reasonable period of time has elapsed following the entry of judgment and the giving of any notice required under section 1608(e) of this chapter.

(d) The property of a foreign state, as defined in section 1603(a) of this chapter, used for a commercial activity in the United States, shall not be immune from attachment prior to the entry of judgment in any action brought in a court of the United States or of a State, or prior to the elapse of the period of time provided in subsection (c) of this section, if –

(1) the foreign state has explicitly waived its immunity from attachment prior to judgment, notwithstanding any withdrawal of the waiver the foreign state may purport to effect except in accordance with the terms of the waiver, and

(2) the purpose of the attachment is to secure satisfaction of a judgment that has been or may ultimately be entered against the foreign state, and not to obtain jurisdiction.

(e) The vessels of a foreign state shall not be immune from arrest in rem, interlocutory sale, and execution in actions brought to foreclose a preferred mortgage as provided in section 1605(d).

(f)(1)(A) Notwithstanding any other provision of law, including but not limited to section 208(f) of the Foreign Missions Act (22 U.S.C. 4308(f)), and except as provided in subparagraph (B), any property with respect to which financial transactions are prohibited or regulated pursuant to section 5(b) of the Trading with the Enemy Act (50 U.S.C. App. 5(b)), section 620(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2370(a)), sections 202 and 203 of the International Emergency Economic Powers Act (50 U.S.C. 1701-1702), or any other proclamation, order, regulation, or license issued pursuant thereto, shall be subject to execution or attachment in aid of execution of

any judgment relating to a claim for which a foreign state (including any agency or instrumentality or such state) claiming such property is not immune under section 1605(a)(7).

(B) Subparagraph (A) shall not apply if, at the time the property is expropriated or seized by the foreign state, the property has been held in title by a natural person or, if held in trust, has been held for the benefit of a natural person or persons.

(2)(A) At the request of any party in whose favor a judgment has been issued with respect to a claim for which the foreign state is not immune under section 1605(a)(7), the Secretary of the Treasury and the Secretary of State should make every effort to fully, promptly, and effectively assist any judgment creditor or any court that has issued any such judgment in identifying, locating, and executing against the property of that foreign state or any agency or instrumentality of such state.

(B) In providing such assistance, the Secretaries –

(I) may provide such information to the court under seal; and

(ii) should make every effort to provide the information in a manner sufficient to allow the court to direct the United States Marshall's office to promptly and effectively execute against that property.

(3) Waiver. – The President may waive any provision of paragraph (1) in the interest of national security.

APPENDIX J

TITLE 28 – JUDICIARY AND JUDICIAL PROCEDURE

PART IV – JURISDICTION AND VENUE

CHAPTER 97 – JURISDICTIONAL IMMUNITIES OF FOREIGN STATES

Sec. 1611. Certain types of property immune from execution

(a) Notwithstanding the provisions of section 1610 of this chapter, the property of those organizations designated by the President as being entitled to enjoy the privileges, exemptions, and immunities provided by the International Organizations Immunities Act shall not be subject to attachment or any other judicial process impeding the disbursement of funds to, or on the order of, a foreign state as the result of an action brought in the courts of the United States or of the States.

(b) Notwithstanding the provisions of section 1610 of this chapter, the property of a foreign state shall be immune from attachment and from execution, if –

(1) the property is that of a foreign central bank or monetary authority held for its own account, unless such bank or authority, or its parent foreign government, has explicitly waived its immunity from attachment in aid of execution, or from execution, notwithstanding any withdrawal of the waiver which the bank, authority or government may purport to effect except in accordance with the terms of the waiver; or

(2) the property is, or is intended to be, used in connection with a military activity and

(A) is of a military character, or

(B) is under the control of a military authority or defense agency.

(c) Notwithstanding the provisions of section 1610 of this chapter, the property of a foreign state shall be immune from attachment and from execution in an action brought under section 302 of the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 to the extent that the property is a facility or installation used by an accredited diplomatic mission for official purposes.

APPENDIX K

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Decree 1599/2005

Law No. 23,928 shall be amended to provide that the reserves in excess of one hundred percent backing of the monetary base may be allocated for payment of obligations undertaken with international monetary authorities, provided that those transactions result in a neutral monetary effect.

Buenos Aires, December 15, 2005

HAVING REVIEWED AND CONSIDERED:

Law No. 23,928 and the amendments thereto, and

WHEREAS

In relation to the reserves of the CENTRAL BANK OF THE ARGENTINE REPUBLIC, Articles 4, 5, and 6 of the aforementioned Law defined in their composition, purpose, method of presentation [of information] and legal status, setting forth their role in backing the monetary base, the fact that they are not subject to attachment, and their exclusive use for the purposes provided for in that precept.

At this time, there is a trade surplus, a surplus in the balance of payments current account, and a situation of fiscal solvency that makes it possible to apply part of the aforementioned reserves to address commitments to international monetary authorities, to the extend that the ONE HUNDRED PERCENT (100%) backing of the monetary base is not affected.

Consequently, it is deemed appropriate to provide that the reserves in excess of that percentage may be allocated for the payment of obligations undertaken with international monetary authorities, as long as those transactions result in a neutral monetary effect.

In this instance, exceptional circumstances make it impossible to follow the ordinary procedures provided for by the National Constitution for enacting statutes.

This measure is issued in use of the authorities conferred by Article 99, subsection 3 of the NATIONAL CONSTITUTION.

Therefore,

THE PRESIDENT OF ARGENTINA, IN GENERAL AGREEMENT OF MINISTERS

DECREES:

Article 1 — That Articles 4, 5, and 6 of Law No. 23,928 and the amendments thereto shall be replaced as follows:

" ARTICLE 4. The reserves of the CENTRAL BANK OF THE ARGENTINE REPUBLIC in gold and foreign currency shall be allocated to back up to ONE HUNDRED PERCENT (100%) of the monetary base. When the reserves are invested in deposits, other interest-bearing transactions, or domestic or foreign government securities payable in gold, precious metals, U.S. dollars, or other foreign currency of similar soundness, their computation for purposes of this law shall be at market value.

" ARTICLE 5. CENTRAL BANK OF THE ARGENTINE REPUBLIC shall reflect, on its balance sheet and financial statements, the amount, composition, and investment of the reserves, on the one hand, and the amount and composition of the monetary base, on the other hand. Reserves in excess of the percentage established in Article 4 shall be known as unrestricted reserves.

" ARTICLE 6. The assets that constitute the reserves mentioned in the preceding Articles are not subject to attachment, and may be used exclusively for the purposes provided for in this law. The reserves, up to the percentage established in Article 4, also constitute a common pledge of the monetary base. The monetary base in pesos consists of the money in circulation plus the demand deposits of the financial

institutions in the CENTRAL BANK OF THE ARGENTINE REPUBLIC, in current or special accounts.

As long as the monetary effect is neutral, the unrestricted reserves may be used for payment of obligations undertaken with international monetary authorities."

Art. 2 — This measure will take effect on the day of its publication in the Official Gazette.

Art. 3 — Let the HONORABLE CONGRESS OF THE NATION be notified in compliance with the provisions of Article 99, subsection 3 of the National Constitution.

Art. 4 — Let it be made known, published, provided to the National Directorate of the Official Register, and filed. — KIRCHNER. — Alberto A. Fernández. — Felisa Miceli. — Julio M. De Vido. — Aníbal D. Fernández. — Alberto J. B. Iribarne. — Carlos A. Tomada. — Juan C. Nadalich. — Daniel F. Filmus. — Ginés M. González García.

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Decreto 1599, 2005

Modificase la Ley Nº 23.928, con la finalidad de establecer que las reservas que excedan el respaldo del cien por ciento de la base monetaria puedan ser destinadas al pago de obligaciones contraídas con organismos financieros internacionales, siempre que esas operaciones resulten de un efecto monetario neutro.

Bs. As., 15/12/2005

VISTO:

La Ley Nº 23.928 y sus modificatorias, y

CONSIDERANDO:

Que, en relación a las reservas del BANCO CENTRAL DE LA REPUBLICA ARGENTINA, los Artículos 4º, 5º y 6º de la Ley citada definieron su composición, objeto, método de exposición y régimen jurídico, disponiendo su afectación al respaldo de la base monetaria, su inembargabilidad y su aplicación exclusiva a los fines previstos en dicha norma.

Que en la actualidad se advierten superávit comercial y de cuenta corriente en la balanza de pagos y una situación de solvencia fiscal que permiten la aplicación parcial de las referidas reservas a la atención de compromisos con organismos financieros internacionales, en la medida que no se vea afectado el respaldo del CIEN POR CIENTO (100%) de la base monetaria.

Que, en consecuencia, se considera conveniente establecer que las reservas que excedan de dicho porcentaje pueden ser destinadas al pago de obligacionas contraída con organismos financieros internacionales, siempre que dichas operaciones resulten de un efeto monetario neutro.

Que, en el case, se evidencian circunstancias excepcionales que hacen imposible seguir los trámites ordinarios previstos por la Constitución Nacional para la sanción de las leyes.

Que la presente medida se dicta en uso de las facultades conferidas por el artículo 99, inciso 3, de la CONSTITUCION NACIONAL.

Por ello,

EL PRESIDENTE DE LA NACION ARGENTINA EN ACUERDO GENERAL DE MINISTROS

DECRETA:

Artículo 1° — Sustitúyense los Artículos 4°, 5° y 6° de la Ley N° 23.928 y sus modificatorias, los que quedarán redactados del siguiente modo:

" ARTICULO 4° Las reservas del BANCO CENTRAL DE LA REPUBLICA ARGENTINA en oro y divisas extranjeras serán afectadas a respaldar hasta el CIEN POR CIENTO (100%) de la base monetaria. Cuando las reservas se inviertan en los depósitos, otras operaciones a interés, o a títulos públicos nacionales o extranjeros pagaderos en oro, metales preciosos, dólares estadounidenses o otras divisas de similar solvencia, su cómputo a los fines de esta ley será efectuará a valores de mercado.

" ARTICULO 5° EL BANCO CENTRAL DE LA REPUBLICA ARGENTINA deberá reflejar en su balance y estados contables el monto, composición e inversión de las reservas, por un lado, y el monto y composición de la base monetaria, por otro lado. Las reservas que excedan del porcentaje establecido en el artículo 4°, se denominarán reservas de libre disponibilidad.

" ARTICULO 6° Los bienes que integren las reservas mencionadas en los artículos anteriores son inembargables, y pueden aplicarse exclusivamente a los fines previstos en la presente ley. Las reservas, hasta el porcentaje establecido en el artículo 4°, constituyen, además, prenda común de la base monetaria. La base monetaria en pesos está constituida por la circulación monetaria más los depósitos a la vista de las entidades financieras en el BANCO CENTRAL DE LA

REPULICA ARGENTINA, en cuenta corriente o cuentas especiales.

Siempre que resulte de efecto monetario neutro, las reservas de libre disponibilidad prodrán aplicarse al lpago de obligaciones contraídas con organismos financieros internacionales."

Art. 2° — La presente medida entrará en vigencia partir del día de su publicación en el Boletín Oficial.

Art. 3° — Dése cuenta al HONORABLE CONGRESO DE LA NACION, en cumplimiento de lo dispuesto por el artículo 99, inciso 3, de la Constitución Nacional.

Art. 4° — Comuníquese, publíquese, dése a la Dirección Nacional del Registro Oficial y archívese. — KIRCHNER. — Alberto A. Fernández. — Felisa Miceli. — Julio M. De Vido. — Aníbal D. Fernández. — Alberto J. B. Iribarne. — Carlos A. Tomada. — Juan C. Nadalich. — Daniel F. Filmus. — Ginés M. González García.

APPENDIX L

PUBLIC DEBT

Decree 1601/2005

Ordering full payment of the debt undertaken with the International Monetary Fund with unrestricted reserves that exceed the percentage established in Article 4 of Law No. 23,928 and the amendments thereto.

Buenos Aires, 12/15/2005

HAVING REVIEWED AND CONSIDERED:

Law No. 23,928 and Decree No. 1599 of December 15, 2005, and

WHEREAS:

Article 6 of Law No. 23,928 — text in accordance with Decree No. 1599/05 — provides that the reserves of the CENTRAL BANK OF THE ARGENTINE REPUBLIC that are in excess of ONE HUNDRED PERCENT (100%) of the monetary base may be used to pay obligations undertaken with international monetary authorities, provided that the monetary effect is neutral.

The balance of payments currently reflects trade surpluses and surpluses in the current account that assure the generation of foreign currency and the sustainability of the foreign accounts.

There is also a situation of fiscal solvency that assures the strength of the economy in the face of potential unfavorable external scenarios.

Within a system of floating exchange rate, the current level of international reserves amply exceeds the margins necessary to maintain appropriate monetary and exchange policies.

The cost of current financing with international entities exceeds the yield obtained through investment of the reserves.

The policy of reducing external borrowing adopted by the Executive Branch allows for more flexibility in the design and execution of economic policies.

Use of part of the reserves to address commitments to international monetary authorities does not affect the maintenance of an appropriate level of liquidity that would permit us to deal with abrupt changes in financial conditions.

Given these circumstances, it is necessary and appropriate to order [implementation of] the mechanisms for payment of the pending debt to the INTERNATIONAL MONETARY FUND.

For this purpose, the MINISTRY OF ECONOMY AND PRODUCTION is instruction to take the pertinent steps.

This measure is ordered in use of the authorities conferred by Article 99 subsection 1) of the NATIONAL CONSTITUTION and Article 6 of Law No. 23,928 and the amendments thereof.

Therefore,

THE PRESIDENT OF ARGENTINA

DECREES:

Article 1 — Full payment of the debt undertaken with the INTERNATIONAL MONETARY FUND shall be ordered, using unrestricted reserves that are in excess of the percentage established in Article 4 of Law 23,928 and the amendments thereto, provided that the monetary effect is neutral.

Art. 2 — The MINISTRY OF ECONOMY AND PRODUCTION shall be instructed to make, through the CENTRAL BANK OF THE ARGENTINE REPUBLIC, full payment of the debt undertaken with the INTERNATIONAL MONETARY FUND, using the aforementioned reserves.

Art. 3 — The MINISTRY OF ECONOMY AND PRODUCTION shall be authorized to adopt the necessary measures to implement the order set forth in the preceding article.

Art. 4 — This decree will take effect on the day of its publication in the Official Gazette.

Art. 5 — Let it be made known, published, provided to the National Directorate of the Official Register, and filed. — KIRCHNER. — Alberto A. Fernández. — Felisa Miceli.

DEUDA PUBLICA

Decreto 1601/2005

Dispónese la cancelación total de la deuda contraída con el Fondo Monetario Internacional con reservas de libre disponibidad que excedan el porcentaje establecido en el Arttículo 4° de la Ley N° 23.928 y sus modificaiones.

Bs. As, 15/12/2005

VISTO:

La Ley N° 23.928 y el Decreto N° 1599 del 15 de diciembre de 2005, y

CONSIDERANDO:

Que el Artículo 6° de la Ley N° 23.928 —texto según el Decreto N° 1599/o05— dispone que las reservas del BANCO CENTRAL DE LA REPUBLICA ARGENTINA que excedean el CIEN POR CIENTO (100%) de la base monetaria podrán aplicarse al pago de obligaciones contradídas con organismos financieros internacionales, siempre resulte de efecto monetario neutro.

Que la balanza de pagos registra en la actualidad superávits comercial y de cuenta corriente que eseguarn la generación de divisas y la sustenatabilidad de las cuentas externas.

Que asimiso, se advierte una situación solvencia fiscal que permite asegurar la fortaleza de la economía ante eventuales escenarios externos desfavorables.

Que dentro de un régimen ded cambio flotante, el nivel actual de reservas internacionales supera con amplitud los márgenes necesarios para mantener adecuadas politicas monetarias y camiarias.

Que el costo de los financiamientos vigentes con organismos internacionales supera al rendimiento obtenido por la colocación de las reservas.

Que la política de reducción del endeudamiento externo adoptada por el Poder Ejecutivo Nacional permite obtener una mayor flexibilidad en el diseño y ejecución de las políticas económicas.

Que la aplicación parcial de las reservas a la atención de compromisos con organismos financieros internacionales no afecta el mantenimiento de un adecuado nivel de liquidez que permita enfrentar cambios abruptos en las condiciones financieras.

Que dadas la circunstancias reseñadas, resulta necesario y coveniente proceder en esta instancia a disponer los mecanismos conducentes al pago de la deuda pendient con el FONDA MONETARIO INTERNACIONAL.

Que a tal fin se instruya al MINISTERIO DE ECONOMIA Y PRODUCCION para que ejecute las medidas pertinentes.

Que la presente medida se dicta en uso de las atribuciones conferidas por el Artículo 99 inciso 1) de la CONSTITUCION NACIONAL, y por el Artículo 6° de la Ley N° 23.928 y sus modificaciones.

Por ello,

EL PRESIDENTE DE LA NACION ARGENTINA

DECRETA:

Artículo 1° — Dispónese la cancelación total de lla deuda contraída con el FONDO MONETARIO INTERNACIONAL con reservas de libre disponibilidad ue excedan el porcentaje establecido en el Artículo 4° de la Ley 23.928 y sus modificaciones, siempre que resulte de efecto monetario neutro.

Art. 2° — Instrúyese al MINISTERIO DE ECONOMIA Y PRODUCCION para aque a través del BANCO CENRAL DE LA REPUBLICA ARGENTINA proceda a cancelar la deuda total contraída con el FONDO MONETARIO INTERNACIONAL con las reservas precitadas.

Art. 3° — Facúltase el MINISTERIO DE ECONOMIA Y PRODUCCION a adoptar las medidas necesarias a fin de poner en ejecución la manda indicada en el artículo anterior.

Art. 4° — El presente decreto entrará en vigencia a partir de día de su publicación en el Boletín Oficial.

Art. 5° — Comuníquese, publíquese, dése a la Dirección Nacional del Registro Oficial y archívese. — KIRCHNER. — Alberto A. Fernández. — Felisa Miceli.

APPENDIX M

[LOGO]
TRANSPERFECT
TRANSLATIONS

City of New York, State of New York, County of New York

I, Jessica Majestic, hereby certify that the following is, to the best of my knowledge and belief, a true and accurate translation of the attached Resolution No. 49 from Spanish into English.

/s/
Signature

Sworn to before me this 5th day of January, 2006

/s/
Signature, Notary Public

[SEAL]

Stamp, Notary Public

Ministry of Economy and Production

Resolution No. 49

Buenos Aires, December 29, 2005

IN VIEW OF File No. S01:0442691/2005 of the Registry for the MINISTRY OF ECONOMY AND PRODUCTION, Laws 11, 672 Complementary Permanent Budget Law (consolidated text as of 2005) and 23,928, Decrees 1599 dated December 15, 2005 and 1601 dated December 15, 2005; and

WHEREAS:

Article 1 of Decree 1599 dated December 15, 2005 replaces Articles 4, 5, and 6 of Law 23,928, which define the composition, objective, method of exposition and legal regime for the reserves of the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA.

The foregoing Decree stipulates that freely-available reserves, as defined under Article 5 *in fine* of Law 23,928, as amended by Decree No. 1599/05, may be applied to repay obligations incurred with international financial agencies, provided they cause a neutral monetary effect.

Along these lines, the NATIONAL EXECUTIVE BRANCH issued Decree No. 601 dated December 15, 2005 that stipulates, in its Article 1, the repayment in full of the debt incurred with the INTERNATIONAL MONETARY FUND with freely-available reserves exceeding the percentage determined under Article 4 of Law 23,928, as amended.

Article 2 of the Decree mentioned in the whereas clause above also instructs this Ministry to act accordingly through the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA.

Additionally, Article 3 of Decree No. 1601/05 further empowers the MINISTRY OF ECONOMY AND PRODUCTION to adopt the measures needed to carry out the order indicated in the above-mentioned Decree.

Within the legal framework from the transactions conducted with the INTERNATIONAL MONETARY FUND and due to the repayment ordered, it seems advisable to settle the liabilities of the NATIONAL GOVERNMENT stemming from the obligation payable to the INTERNATIONAL MONETARY FUND out of assets included on the balance sheet of the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA, in compliance with the provisions laid down under Article 44 of Law 11, 672 Complementary Permanent Budget Law (consolidated text as of 2005);

The General Bureau for Legal Affairs of the MINISTRY OF ECONOMY AND PRODUCTION has taken part I this issue within the scope of its jurisdiction.

This decision is adopted by virtue of the powers granted under Article 3 of Decree 1601/05.

THEREFORE,

THE MINISTER OF ECONOMY AND PRODUCTION

DOES HEREBY DECIDE:

ARTICLE 1 – Let the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA be instructed in line with Decree No. 1599 dated December 15, 2005 and the provisions of Article 1 of Decree No. 1601 of December 15, 2005 to repay the debt incurred with the INTERNATIONAL MONETARY FUND.

ARTICLE 2 – Let the SECRETARIAT OF THE TREASURY and the SECRETARIAT OF FINANCE, both reporting to this Ministry, be instructed to implement an exchange of liabilities held by the NATIONAL GOVERNMENT with the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA as compensation for the transactions conducted with the INTERNATIONAL MONETARY FUND, pursuant to Article 44 of Law No. 11,672 Complimentary Permanent Budget Law (consolidated text as of 2005), by means of the instrument detailed under Article 3 herein.

ARTICLE 3 – ONE (1) Non-transferable Note shall be issued having the following financial conditions:

Currency: United States Dollars
Term: TEN (10) years as from its date of issuance.
Amortization: on maturity date in full.
Interest: it shall bear interest at the same interest rate applicable to the international reserves of the CENTRAL BANK OF THE REPUBLIC OF ARGENTINA for the same term and up to a cap equal to the annual LIBOR rate minus ONE (1) Percentage Point, payable on a half-yearly basis.

ARTICLE 4 – The SECRETARIAT OF THE TREASURY and the SECRETARIAT OF FINANCE, both reporting to the MINISTRY OF ECONOMY AND PRODUCTION, shall be the Authority in charge of Applying this resolution, being empowered to issue any such supplementary and/or explanatory regulations that may be required.

ARTICLE 5 – Let this Resolution be communicated, published and given to the National Bureau of the Official Registry and archived.

RESOLUTION No. 49

[signature]

Felisa Miceli
Minister of Economy and
Production

[SEAL]

Ministro de la Economía y Producción

49 ~ •

Buenos Aires, 29 Dic 2005

VISTO el Expediente Nº S01:0442691/2005 del Registro del MINISTERIO DE ECONOMIA Y PRODUCCION, las Leyes Nº 11,672 Complementaria Permanente de Presupuesto (T.O. 2005) y Nº 23, 928, los Decretos Nros. 1.599 de fecha 15 de diciembre de 2005 y 1.601 de fecha 15 de diciembre de 2005, y

CONSIDERANDO:

Que por el Artículo 1º de Decreto Nº 1.599 de fecha 15 de diciembre de 2005 se sustituyen los Artículos 4º, 5º y 6º de la Ley Nº 23.928, por los que se definen la composición, objeto, método de exposición y régimen jurídico de las reservas del BANCO CENTRAL DE LA REPUBLICA ARGENTINA.

Que por el citado Decreto se establece que siempre que resulte de efecto monetario neutro las reservas de libre disponibilidad, conforme se las define en el Artículo 5º in fine de la Ley Nº 23.928 con la modificación introducida por el Decreto Nº 1.599/05, podrán aplicarse al pago de obligaciones contraídas con organismos financieros internacionales.

Que, en tal sentido, el PODER EJECUTIVO NACIONAL dictó el Decreto Nº 1.601 de la fecha 15 de diciembre de 2005 por el cual se dispone, en su Artículo 1º, la cancelación total de la deuda contraída con el FONDO MONETARIO INTERNACIONAL con reservas de libre disponibilidad que excedan el porcentaje establecido en el Artículo 4º de la Ley 23.928 y sus modificaciones.

Que, asimismo, por el Artículo 2º del Decreto mencionado en el considerado anterior, se instruye a este Ministerio para que a través del BANCO CENTRAL DE LA REPUBLICA ARGENTINA se proceda en tal sentido.

Que, adicionalmente, el Artículo 3° del Decreto N° 1.601/05 faculta al MINISTERIO DE ECONOMIA Y PRODUCCION a adoptar las medidas necesarias a fin de ejecutar la manda indicada en el citado Decreto.

Que en el marco legal resultante de las operaciones con el FONDO MONETARIO INTERNACIONAL y dada la cancelación que se dispone, resulta procedente atender los pasivos del GOBIERNO NACIONAL que constituyen activos incorporados en el balance del BANCO CENTRAL DE LA REPUBLICA ARGENTINA derivados de la obligación con el FONDO MONETARIO INTERNACIONAL, ello, en los términos del Artículo 44 de la Ley N° 11.672 Complementaria Permanente de Presupuesto (T.O. 2005).

Que la Dirección General de Asuntos Jurídicos del MINISTERIO DE ECONOMIA Y PRODUCCION ha tomado la intervención que le compete.

Que la presente medida se dicta en virtud de las facultades conferidas por el Artículo 3° del Decreto N° 1.601/05.

Por ello,

LA MINISTRA DE ECONOMIA Y PRODUCCION

RESUELVE:

ARTICULO 1° – Encomiéndase al BANCO CENTRAL DE LA REPUBLICA ARGENTINA, en el marco del Decreto N423 1.599 de fecha 15 de diciembre de 2005 a cancelar el total de la deuda contraída con el FONDO MONETARIO INTERNACIONAL.

ARTICULO 2° – Instrúyese a la SECRETARIA DE HACIENDA y a la SECRETARIA DE FINANZAS ambas de este Ministerio, a implemmentar el canje de los pasivos que el GOBIERNO NACIONAL mantiene con el BANCO CENTRAL DE LA REPUBLICA ARGENTINA como contrapartida de las operaciones con el FONDO MONETARIO INTERNACIONAL, en los términos del Artículo 44 de la Ley

Nº 11.672 Complementaria Permanente de Presupuesto (T.O. 2005)) por el instrumento que se detalla en el artículo 2º de la presente resolución.

ARTICULO 2º – Se emitirá UNA (1) Letra intransferible con las siguientes condiciones financieras:

Moneda: dólares estadounidenses

Plazo: DIEZ (10) años a partir de la fecha de emisión.

Amortización: íntegra al vencimiento.

Interés: devengará interés igual a la tasa de interés que devenguen las reservas internacionales del BANCO CENTRAL DE LA REPUBLICA ARGENTINA para el mismo período y hasta un máximo de la tasa LIBOR anual menos UN (1) Punto porcentual, pagaderos semestralmente.

ARTICULO 4º – La SECRETARIA DE FINANZAS y la SECRETARIA DE HACIENDA, ambas del MINISTERIO DE ECONOMIA Y PRODUCCION, serán la Autoridad de Aplicación de la presente resolución, estando facultadas para dictar las normas complementarias y/o aclaratorias correspondientes.

ARTICULO 5º – Comuníquese, publíquese, dése a la Dirección Nacional de Registro Oficial y archívese.

RESOLUCION Nº 49 – e

[Firma]

Felisa Miceli
Ministra de Economía y
Producción

APPENDIX N

ISI EMERGING MARKETS
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The Government is protecting itself from attachment.

It has withdrawn reserves and funds from Banco Nación in New York; is studying post-default payment of bonds by means of trusts.

Once again Argentines have been asked by their leaders to remain clam. This week Alberto Fernández, Cabinet chief, confirmed that the assets of the country are safe from the threat of attachments requested by foreign creditors, a risk that had been growing since the way was cleared last Saturday for claims in the United States.

Reserves of the Central Bank of the Argentine Republic on deposit in New York banks have been withdrawn, funds on deposit in the New York branch of Banco Nación have been repatriated, and salaries of Argentine officials posted to other countries are being deposited in Argentina or paid in the form of cash sent via diplomatic pouch, which has immunity. The presidential plane is avoiding landing in countries where bondholders have called for attachments, including Germany. The Frigate "*Libertad*" is also avoiding ports of these countries.

The Ministry of Economics is paying foreign bondholders of Boden bonds in Argentina. These payments are being made regularly because they concern debt issued after the default in December 2001. A number of measures implemented secretly by this government its predecessors have already been

discovered by bondholders who are suing the country in foreign courts.

A spokesperson for the Ministry of Economics stated that Argentina is not concealing its assets and is participating in the discovery proceeding with creditors in the United States in order to inform them of the assets subject to dispute. A Ministry technical expert declined to reveal how the Government is avoiding attachments, on the grounds that this would "stir up" the plaintiffs.

Argentina has been protecting assets since August 2001, when then-President Fernando de la Rúa and Economics Minister Domingo Cavallo denied the possibility of default. At that time Cavallo ordered Roque Maccarone, then president of the Central Bank, to transfer reserves from the New York branch of Deutsche Bank to the Bank for International Settlements in Basel, Switzerland.

Reserves are protected by sovereign immunity, in the United States and other countries, but Argentina preferred not to run the risk that a judge would attach them on the grounds that in fact they were funds belonging to the Executive Branch rather than to the Central Bank of the Argentina Republic. For this reason they were sent to the Bank for International Settlements, which holds only reserves of the central banks of the entire world, so that there would be no opportunity for confusion. "Our aim is to keep them from putting what is Government money into reserves," Central Bank sources admitted.

The monetary authority thus withdrew all its New York reserves in Deutsche Bank, Citibank, and the Federal Reserve (the central bank of the United States) before and for several months following the default, according to sources speaking for the creditors. Some of it was taken to Buenos Aires. "This is deliberate bankruptcy fraud," declared the attorney for the U.S. bondholders. "For this reason we are going to ask Thomas Griesa (the New York judge who is hearing the cases against

Argentina) to consider the assets that the country had before the default and to nullify the transfers to Basel," he added.

Some 80% of the Central Bank reserves have been concentrated in the Bank for International Settlements, but the operation has not been without its cost. The interest rate in Basel is 0.125 percentage points lower than the rate paid in private banks in the United States. This means a loss of 130 million pesos in interest in the past two years.

The Kirchner administration is depositing dollars for payments on National State bonds in the local Caja de Valores. Foreign bondholders prefer this system because it ensures payment. The Ministry of Economics is already thinking about how to pay creditors who agree to exchange defaulted debt for new bonds. One option is to send the money to a trust for creditors. "They say that the trust is a vehicle and is not part of the assets of the debtor," explains the attorney for the bondholders.

Multilateral agencies are being paid in Argentina or at the Bank for International Settlements. One of the few attachments has been executed in Italy on a small portion of the 75 million euro loan made to the Government for small and medium-sized companies.

By Alejandro Rebossio

La Nación Editorial Staff Member

[LOGO]

ISI EMERGING MARKETS
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Project Code: None Selected
Publication: *La Nación – Economía*
Provider: *La Nación*
Date: February 5, 2004

El Gobierno se protege de los embargos

Retiró de Nueva York reservas y fondos del Banco Nación; estudia pagar los bonos posdefault mediante fideicomisos

A los funcionarios en el exterior se les paga en la Argentina o con valija diplomática El Tango 01 y la Fragata Libertad evitan países donde existen amenazas de embargos

Una vez más los argentinos recibieron un llamado a la tranquilidad de parte de sus gobernantes. Esta semana, el jefe de Gabinete, Alberto Fernández, afirmó que los bienes del país están resguardados de la amenaza de embargos pedidos por acreedores extranjeros, un riesgo creciente desde que el sábado pasado se dio vía libre a los reclamos en Estados Unidos.

Se retiraron reservas del Banco Central (BCRA) que estaban depositadas en bancos de Nueva York, se repatriaron fondos del Banco Nación que estaban en su sucursal neoyorquina y están pagándose los sueldos de funcionarios en el exterior con depósitos en la Argentina o enviándoles el dinero en la llamada valija diplomática, que goza de inmunidad. El avión presidencial evita los aterrizajes en países donde los tenedores de bonos han pedido embargos, como Alemania. La Fragata Libertad también esquiva esos puertos.

El Ministerio de Economía les paga en la Argentina a los tenedores extranjeros de Boden, cuyos vencimientos se abonan con regularidad porque se trata de deuda emitida tras la cesación de pagos de diciembre de 2001. Se trata de una diversidad de medidas que este gobierno y los anteriores han practicado con sigilo, pero que ya han sido advertidas por los bonistas que demandan al país en tribunales foráneos.

Un vocero de Economía afirmó que la Argentina no oculta sus bienes y participa del proceso judicial de discovery (descubrimiento) con los acreedores en Estados Unidos para informarles de los bienes sujetos al litigio. Un técnico del ministerio se negó a revelar cómo el Gobierno esquiva los embargos porque "avivaría" a los demandantes.

La Argentina viene protegiendo activos desde agosto de 2001, cuando el entonces presidente, Fernando de la Rúa, y su ministro de Economía, Domingo Cavallo, negaban la posibilidad de default. En aquel entonces Cavallo le ordenó al entonces presidente del Banco Central, Roque Maccarone, que transfiriera reservas desde la sede neoyorquina del Deutsche Bank al Banco Internacional de Pagos (BIP) de Basilea, Suiza.

Las reservas están resguardadas por la inmunidad soberana, incluso en Estados Unidos, pero la Argentina prefirió abortar el riesgo de que un juez las embargara aduciendo que en realidad no pertenecían al BCRA, sino que eran recursos del Ejecutivo. Por eso, las envió al BIP, donde sólo hay reservas de los bancos centrales de todo el mundo y, de ese modo, no se dejó lugar a la confusión. "Nosotros tratamos de que no nos metan en reservas dinero que es del Gobierno", admitieron fuentes del Central.

Así fue cómo la autoridad monetaria retiró todas las reservas que tenía en Nueva York, en el Deutsche Bank, el Citibank y la Reserva Federal (banco central norteamericano), antes del default y en los primeros meses posteriores, según fuentes de los acreedores. Algo se trajo a Buenos Aires. "Es un fraude insolventarse a propósito", advirtió el abogado de tenedores de

bonos en Estados Unidos. "Por eso vamos a pedir a Thomas Griesa (el juez de Nueva York que atiende las demandas contra la Argentina) que considere los bienes que el país tenía antes del default y deje sin efecto las transferencias a Basilea", agregó.

En el BIP ha pasado a concentrarse alrededor del 80% de las reservas del Banco Central, pero la operación ha tenido su costo. En Basilea se paga un 0,125 punto porcentual menos de tasa de interés que en los bancos privados de Estados Unidos. Por lo tanto, se perdieron $ 130 millones de rendimiento en los últimos dos años.

La administración Kirchner está depositando en la Caja de Valores local los dólares por los vencimientos de los Boden y los tenedores del exterior así lo prefieren para asegurarse el cobro. Economía ya está pensando cómo les pagará a los acreedores que acepten el canje de la deuda en default por nuevos bonos. Una opción consiste en enviar el dinero a un fideicomiso de los acreedores. "Dicen que el fideicomiso es un vehículo y está fuera del patrimonio del deudor", explica el abogado de los tenedores.

A los organismos multilaterales se les paga en la Argentina o en el BIP. Uno de los pocos embargos se concretó en Italia contra una partida reducida del crédito de 75 millones de euros al Gobierno para las pymes.

Por Alejandro Rebossio
De la Redacción de LA NACION